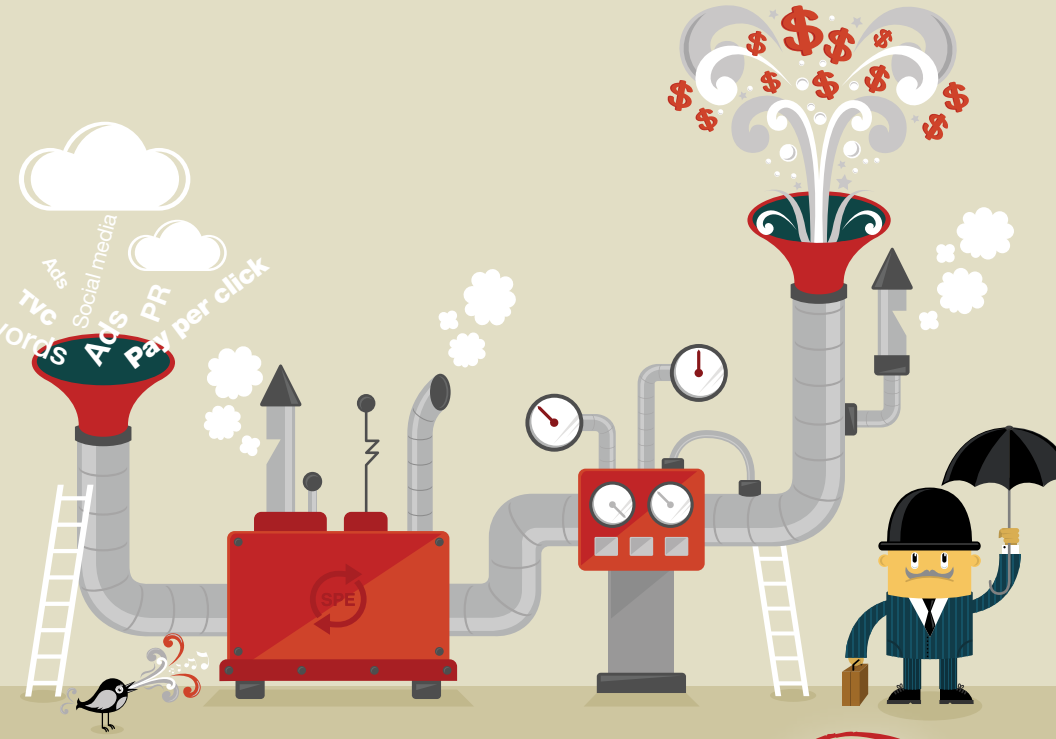

Author's First Draft
SAMPLER
First Three Chapters

THE MACHINE

A radical approach to the design of the sales function

- Critical reading in all technical and major–account sales environments
- The first comprehensive application of the Theory of Constraints to sales management

Justin Roff-Marsh
Founder: Ballistix
www.**sales**process**engineering**.net

If you'd like to read more of *The Machine*, be sure to subscribe to Justin's blog. There are more chapters for you to read right now and you'll receive the rest in your inbox as Justin completes them.

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SAMPLER — first 3 chapters

CONTENTS

INTRODUCTION

THE TITANIC IS SINKING

All is not well in sales.

The sales environment, in a typical organization (most every organization, in fact), is seriously dysfunctional.

But rather than focusing on the obvious dysfunction, management is busy with incremental improvement initiatives:

1. Sales training
2. Sales force automation (technology of various types)
3. Bolt-on lead-generation activities (outsourced telemarketing, for example)

Because none of these initiatives address the root cause of the dysfunction, they amount to nothing more than *arranging chairs on the deck of the sinking Titanic.*

And make no mistake, the Titanic is sinking!

It's not that sales is getting worse: the issue is that the rest of the organization is getting so much better, while sales clings to the *same* structure, the *same* management approach and the *same* practices that have been in place for the last fifty years.

QUIET REVOLUTIONARIES

In a small number of companies, across two continents, a quiet revolution is in progress.

These companies (you'll meet some of them in due course) have challenged the most fundamental assumption about how the sales function should be designed. Consequently, they have built sales environments that barely resemble those in their competitors' organizations.

And they've seen *massive* performance improvements!

Improvements in the internal operation of sales:

1. Field salespeople are spending 100% of their time in the field: performing *four business-development meetings a day, five days a week*
2. Customer commitments are consistently met, administrative work is always done on time and sales orders appear more frequently and more consistently

And improvements in the relationship between sales and the rest of the organization:

1. Hand-off problems between sales and production have been eliminated
2. Marketing works closely with sales to ensure that salespeople are maintained at 100% utilization – and marketing has recruited the assistance of engineering (or senior management) to ensure offers are truly compelling

As mentioned, these changes are the consequence of challenging a *single* assumption about the design of the sales function – the assumption that: *sales should be the sole responsibility of autonomous agents.*

ARE THINGS REALLY THAT BAD?

Before we meet the new assumption embraced by these revolutionaries, it's worth exploring the claim that sales is *dysfunctional*. Are things really that bad?

Consider the goal of the sales function (its reason for existence). In most cases, the goal cannot be *just* to sell. It's more likely that the goal is to *consistently* sell all of the organization's production capacity (which may consist of traditional plant and equipment or knowledge workers).

In most organizations, sales consistently fails with respect to this goal. The modern organization's capacity to produce has accelerated past its capacity to sell, and idle machines and production personnel cost shareholders dearly, month after month and year after year.

Why, then, is sales underperforming? One reason is that salespeople aren't selling. A typical salesperson performs just two business-development meetings a week. You read it right. Less than 10% of a typical salesperson's capacity is allocated to selling. And that figure is pretty standard across industries and across continents[1]. The greater majority of a salesperson's day is dedicated to customer service and administrative activities, solution design and proposal generation, prospecting and fulfillment-related tasks.

Let's turn our attention to management. Why has management not fixed this problem? In many organizations, management has tried. Attempts to reallocate salespeople's work have resulted in service quality problems (the right hand doesn't know what the left is doing). The other alternative is simply to recruit more salespeople and many firms have tried that too: with interesting results.

Typically, when you add salespeople to an established team, costs go up immediately (easy to predict, right?). But sales don't. In fact, in most cases, sales *never* increase to the level required to justify those additional costs. The reason

is that salespeople *do not* generate the greater majority of their sales opportunities. Most sales opportunities spring into existence in spite of (not because of) salespeople's prospecting activities. In most organizations, *existing customers* are by far the greatest source of sales opportunities. When management adds salespeople to an existing team, the same pool of sales opportunities is simply distributed across a larger team of salespeople. (In fact, management recognizes how very difficult prospecting is when they examine candidates for the new sales positions – looking to see who has the largest client list!)

But management's problems don't stop here. Salespeople are incredibly difficult to manage – particularly successful ones! You can't direct your salespeople as you can production or finance personnel, you can only implore them. And successful salespeople are both a blessing and a curse. Sure they generate orders: but at a price. They run roughshod over production and finance personnel, they ignore management directives and they make frequent references to *their* clients, implying that they can leave and take the organization's clients elsewhere – which, in fact, they can.

In summary then, when we examine sales we see a critical organizational function that consistently underperforms, that cannot be scaled (economically), that is in regular conflict with other functions and whose key assets are, in fact, a contingent liability.

The claim that sales is dysfunctional is no exaggeration!

A NEW ASSUMPTION

It's not hard to validate the claim that s*ales is typically the sole responsibility of autonomous agents.*

When we employ salespeople we advise them that they will be held accountable for outcomes, not activities. We

pay them commissions (in part, or in full), rather than fixed salaries. And we encourage them, in most cases, to manage their territories, their accounts and their sales opportunities as if they were, well, *theirs*.

It's true that, increasingly, management is attempting to rein-in salespeople's autonomy. We ask salespeople to report their activities in the organization's CRM[2]. We pay them a mix of salary and commission. And we, at least, pay lip service to the notion that these are company accounts.

But we forget that, where true opposites are concerned, no compromise is possible. Salespeople can march either to their own drumbeat or to the beat of a central drummer. When faced with the demand to do both, salespeople will always pick the *least-worst option*.

When you consider that the *entire organization* – not just sales – is engineered around the assumption of salesperson autonomy, it's easy to see that salespeople will always choose autonomy.

If you doubt my casual assertion that the entire organization is engineered around the assumption of salesperson autonomy, answer these three simple questions:

1. If an important sales opportunity is lost, who is ultimately responsible?
2. If an important customer is dissatisfied, who is ultimately responsible?
3. If an account falls into arrears on its payments, who is ultimately responsible?

The connection between dysfunction and salespeople's autonomy is also easy to spot.

Salespeople spend so little time selling because they have so many responsibilities competing for their limited time. They have so many responsibilities because each salesperson is a self-contained sales function.

Salespeople conflict with other functions because, in their world-view, they see only *their* opportunities and *their* accounts. However other functions (production, engineering, finance) also have limited capacity and are in receipt of competing demands from *multiple* salespeople.

Salespeople conflict with management because there is simply *no place for management* in a typical sales function. If salespeople own their own activities and are held accountable only for outcomes (as is so often advertised) there is literally nothing for management to do. *Managing outcomes* is, after all, an oxymoron, no matter how many times you say it![3]

If the assumption that *sales is the sole responsibility of autonomous agents* is the root cause of this dysfunction, it's clearly time for a new assumption.

The good news is that if we approach this question with a clear head, the answer is oh so obvious.

We discussed that, relative to other organizational functions, sales is *sinking fast.* What, then, is causing the rapid ascent of these other functions? In particular, what has caused both the productivity and the quality of manufacturing to increase by many *orders of magnitude* over the last 100 years?

The answer is: *division of labor.*

Division-of-labor enabled manufacturing to transition from cottage industry to the modern plant. And division of labor has had the same catalytic effect on project environments (think construction and aerospace), finance and even marketing.

Division-of-labor is such a powerful concept that it pre-dates modern industry. We find the first evidence of division-of-labor at the origin of life itself!

There's one little corner of civilization where division-of-labor is conspicuously absent. The fact is that the modern sales environment resembles manufacturing, as it used to look 100 years ago.

But that's about to change!

The quiet revolutionaries have scrutinized sales for evidence that this function is somehow unsuitable for *division of labor*. Their search has been fruitless. The new assumption, around which their sales environments have been engineered and upon which this book is based is as simple as it is powerful.

Sales is the responsibility of a centrally-coordinated team.

This book shows how this innocent-looking assumption leads logically to a radical new approach to the design and management of the sales function. It will show you to apply this approach to your organization (irrespective of the size of your firm or the complexity of what you sell). And it will introduce you to a diverse range of organizations that have trodden this path already (our quiet revolutionaries).

You are in for quite a journey!

PART ONE: THE CASE FOR CHANGE AND A NEW MODEL

CHAPTER 1: AFTER THE REVOLUTION

FOUR APPOINTMENTS A DAY, FIVE DAYS A WEEK

> Jennifer retrieves her Blackberry from her purse and flicks it free of its protective case in one easy gesture.
>
> Moments later, she's talking to David – her assistant back at head office. "Good meeting," she answers, "you can go ahead and schedule the RDM. Yep, you can keep talking to Debra. And the opportunity's actually a retro-fit … say fifty-grand."
>
> "I'm all over it." David reassures Jennifer as he updates fields in the CRM. "So, you'd better hot-tail it over to Tyson Engineering." Phillip left here half an hour ago, so he should be ready for the presentation when you get there."

Jennifer, David and Phillip all work for James Sanders Group, a manufacturer of point-of-sale displays and internal fit-outs. JSG is one of our *quiet revolutionaries.* JSG is an engineering-centric company. They got to be successful by solving tough problems and building really cool stuff!

In recent times JSG had been suffering a slow leakage in sales. The problem was not that they were suffering at the hands of a large competitor – that's a battle they were well equipped to fight. What was happening was that numerous small competitors (some of them recent market entrants; others, offshore manufacturers) were chipping away at their base: winning numerous small jobs, often at crazy margins.

JSG had recognized that this was not a trend that they could reverse solely with superior production performance. They knew that they needed sales activity: *boots on the ground.*

Easier said than done, however! Each time JSG added a salesperson, the new recruit would win a job or two and then become entangled in account management. Before long, account management would become so all-consuming that sales activity would grind to a halt. While this was happening, JSG's competitors were simply side-stepping those complex jobs and focusing on winning the *easy stuff.*

Initially, JSG looked to *account managers* (as they had taken to calling them) for a solution to the problem. Ultimately, it became clear that this was a process not a people problem.

The snippet of conversation above speaks volumes about the consequences of JSG's revolution.

Jennifer is JSG's salesperson. And that's the first unusual thing. In spite of the fact that JSG services the whole of Australia (an area roughly the size of the continental USA) JSG has just one salesperson. The reason is that Jennifer is exactly 10-times more productive than one of JSG's competitor's salespeople. A competitor's salesperson averages two sales meetings a week: Jennifer consistently performs 20!

David is the key to Jennifer's efficiency. David and Jennifer talk at least four times a day. Like an air traffic controller, David is Jennifer's eyes and ears. He carefully

monitors the status of all sales opportunities – freeing Jennifer to focus only on sales meetings as they appear – as if by magic – in her trusty Blackberry.

David's official title is *sales coordinator*. His responsibility is to manage JSG's portfolio of open sales opportunities. He manages each opportunity like a project. He works tirelessly, trying to schedule the next activity in sequence for each. In most (but certainly not all) cases the next activity is a meeting with Jennifer. And, of course, Jennifer's objective, at each meeting will be to *sell* the next activity – generating still more work for David.

David frees Jennifer of the requirement to do *anything* other than face-to-face business-development meetings. In addition to appointment-scheduling, David performs all of the clerical tasks associated with the management of sales opportunities: data-entry, reporting, literature fulfillment, expense tracking, and calendar management.

David routes non-administrative tasks to other specialist resources within JSG. Customer support issues and simple request-for-quotes are routed to *customer-service representatives*. And requirement-discovery and solution-design become the responsibility of *project leaders*.

As each task is handed-off, David logs the date in CRM, as well as a prompt for himself to follow-up prior to the task's expected completion date. In many cases, these tasks are pre-requisites for meetings he has already scheduled for Jennifer. It's critical, therefore, that he keeps all the parts of this machine working in unison.

Phillip also makes a significant contribution to Jennifer's tremendous efficiency. Phillip is a *project leader*. His job is to manage the interface with production. Prior to each sale, Phillip works closely with Jennifer. She introduces him to clients early in each engagement to discover their requirements and to conceptualize and design solutions.

Solution design is always a collaborative process. Clients have their say, of course: they want *Rolls Royce* solutions on *Toyota* budgets. Phillip represents production: he must ensure that whatever is specified can be delivered on time and within budget. And it's Jennifer who uses a mixture of *hustle* and *artful diplomacy* to close the gap between both parties.

Post-sale, Phillip is responsible for managing the relationship between production and the client. He's on hand to negotiate change requests and to fine-tune the production plan on those occasions that it becomes obvious that there's a gap developing between the client's expectations and the direction of the project.

There's no question that Jennifer is busy. Twenty business-development appointments a week is a lot of work – and then there's the travel. A lot of travel!

But the interesting thing is that Jennifer loves working in this environment. There's no stress. She doesn't feel like a juggler with a hundred balls in the air. Clients are happy too. They understand where her responsibilities begin and end, and they always know exactly who to talk to if something appears to be going wrong.

All Jennifer has to do is show-up at meetings and talk to people – and she's really good at that. The selling looks after itself.

MANAGEMENT BY NUMBERS

Matthew is one of James Sanders' two sons. Today he is in charge of operations – and the sales function is now simple enough to be managed as part of operations.

On the face of it, managing sales is relatively easy. Matthew chairs a weekly sales meeting. The meeting consists of a review of a simple dashboard. First order of business is to ensure that opportunity flow is healthy. It's

critical that there's a queue of sales opportunities sufficient in size to keep Jennifer busy. And the size of the *buffer* of forward-booked meetings in Jennifer's calendar is important too.

Matthew knows that the profitability of the firm requires a steady flow of work to the plant. Any hiccups in meeting volume will result in idle machines and workers in a month or so.

Matthew keeps an eye on other indicators too. He scans run-charts looking for unhealthy trends and scrutinizes cycle-times for critical activities to ensure that protective capacities are being maintained where necessary.

Matthew's biggest sales challenge is maintaining the support capacity required to keep up with Jennifer's unrelenting flow of orders.

Prior to the *revolution*, Jennifer was one of five account managers. Today, four of those account managers have been converted into project leaders – all of whom are now sprinting to keep up with Jennifer. To free project-leadership capacity, Matthew has been building a team of *customer-service representatives.* But this team is under the pump too. Every month, it seems like there's a couple of new faces in there!

ARRESTING THE DECLINE

JSG is clearly a different organization today.

There is a clear delineation between the critical sales activity and solution-design and production. Jennifer performs a fixed volume of business-development meetings *every* week – and the rest of the team sprints to keep up.

Obviously a complex job is likely to consume *incrementally* more of Jennifer's capacity than a simple one. But that's okay. Even when this is factored in, Jennifer still performs more business-development meetings in a week

than the rest of the account-management team used to in a month. And, when there's a hole in the production schedule, Jennifer does whatever's necessary to win the jobs required to keep the plant busy.

But the impact has not just been on sales. The revolution has impacted every corner of the firm. Conflict has disappeared. People are happier and more willing to help-out when required. Strangely the firm seems quieter today than it ever has before – in spite of the fact that production is busier than it has been in years.

For JSG, the new model means a stronger and more consistent flow of jobs, a better interface between sales and production, and a less stressful work environment for everyone. And, as should be expected, the impact of the revolution on JSG's profitability has been significant.

THEORY INTO PRACTICE

This chapter has showed you the implications of *sales process engineering* for one business environment (an engineer-to-order manufacturer).

Chapters 2 and 3 will show you why *sales process engineering* (SPE) is so important in today's business environment, introduce you to SPE's four fundamental principles and then explain how these simple principles lead logically to the end result exemplified by JSG's story.

In subsequent chapters you'll learn how to apply these principles to create profound improvements in the performance of other business environments:

1. **Indirect sales** (when sales are made through distributors, resellers or manufacturers' representatives)
2. **Commodity sales** (when solution-design is not a critical component of the engagement)

3. **A micro-business or a start-up** (when resources are limited and specialization appears impossible)

One message that will play over and over throughout this book is that you cannot improve the performance of sales by focusing solely on the sales function. And this theme will be tackled head-on in Chapter 4.

In Part 1's final chapter, we'll explore the case for the elimination of salespeople's commissions. Part 2 is dedicated to the practical application of SPE in your organization.

Let's go to work!

CHAPTER 2: FOUR KEY PRINCIPLES (AND HOW TO WIN A BOAT RACE)

Our first order of business is to address two questions that have the potential to derail this discussion.

The issue is not that these questions expose weaknesses in Sales Process Engineering (SPE). The issue is that these questions stand in the way of our discussion even getting started!

Considering the radical nature of the change we're contemplating, it's only natural to ask:

1. If the standard sales model is so dysfunctional – and if there's a better method available – why haven't more companies adopted it already?
2. If the standard model has evolved over many years – and withstood the test of time – how can it be that this model is fundamentally flawed?

WHY DO WE PERSIST?

There are two (interrelated) reasons why we persist with the traditional approach to the design of the sales function.

First, the standard model conforms with all our

assumptions about how sales should be made. And, second, it is impossible to *inch your way* to the new model – a revolution is required.

Deeply–held assumptions

If we are to evaluate the standard model with reference to long- and deeply-held assumptions about *how to generate sales* then the standard approach to the design of the sales function measures up well.

Ask yourself, do you agree with the following statements:

1. Sales of expensive products and services are highly dependent upon personal relationships
2. A successful sales function is highly dependent upon *star performers*
3. Salespeople should be encouraged to operate autonomously – to view their territory almost as if it is their own business
4. Customers require – and benefit from – *a single point of contact* with their suppliers
5. Sales improvement is all about improving conversion (plugging the leaky funnel)

Each of these statements sounds innocent enough, right? But, for most salespeople – and their managers – these statements are *more than true.* They are axioms (fundamental, self-evident and unquestionable truths). Attempts to challenge them will be met with injured feelings, or even hostility.

Consequently, any approach to sales improvement that is in alignment with these axioms will *feel* right. But an approach that conflicts with one or more will almost certainly be dismissed out of hand. As you'll discover in due course, SPE conflicts with *every one* of these axioms

– and with numerous other commonly-held beliefs about sales too.

Sadly, the serious consideration of SPE tends to require at least one of the following conditions:

1. The performance of the sales function must be so bad as to shake management's faith in the standard model to its very core
2. A senior executive with no prior exposure to sales (perhaps an engineering or production specialist) must turn their attention to the sales function

Almost without exception, our *silent revolutionaries* began their investigation of SPE only when *both* of these conditions were in place!

Incremental change won't cut it

The other hurdle to the adoption of SPE is the magnitude of change required for the successful transition.

Consider just a few of the changes that have to occur:

1. Salespeople must willingly give-up ownership of their calendars *and* ownership of sales opportunities
2. Salespeople must be prepared to spend all of their time in the field (in practice this means a five- to ten-times increase in territory size: and, consequently, a lot more travel)
3. Management must be prepared to add new team members and – possibly – to see some existing team members exit the organization
4. Management must be prepared to assume (and, ultimately, reassign) responsibility for the origination of sales opportunities

And then there's the impact on the rest of the organization:

1. In many cases, customer service needs to be reengineered to cope with the additional load
2. The new *project leadership* function must be tightly integrated with production and customer service
3. If production scheduling has devolved into *brinkmanship* to accommodate the demands of a small number of increasingly-powerful customers, this negative trend *must* be reversed

When you consider the counter-intuitive nature of SPE *and* the significance of the transition from the standard model, it's little wonder that the standard model persists.

But it can only persist so long!

HOW DID WE GET HERE?

The standard sales model didn't used to be dysfunctional.

For much of the history of industry, this model has been the optimal one. (In fact, there are situations today, where the standard model is still quite appropriate.) What has happened is that industry itself has undergone two sea-changes and sales has stayed pretty much the same.

From production– to sales–focused

In the 1989 classic, *Field of Dreams,* Kevin Costner's character plows under his corn and builds a baseball field in the hope that *if he builds it, he will come.* Fortunately 'Shoeless' Joe Jackson and his colleagues arrive just in time to rescue the hapless farmer from bankruptcy.

Today, the phase *build it and they'll come* is often used to reference the unrealistic expectation that production

is sufficient to create a market. However, for most of the history of industry, production has, in fact, been sufficient.

Until recently, the salesperson's job was to take a highly differentiated product and demonstrate it to potential customers. Sure, there was a requirement for some salesmanship but, for the most part, the sale was *really* made new-product development and production.

Today, because the market is so much more competitive, it's unusual for a product to be highly differentiated. It's common for customers to choose product *a* over product *b* and reasonably expect to pay a similar price for a product that performs almost identically. It's true that we still have true ground-breaking products, but these are much more likely to be the exception, rather than the rule.

Because *production* has been the primary success driver for most of our recent history, this is where our capital and our brainpower have been invested. And the return on this investment has been staggering. Over the last 100 years we've seen orders of magnitude increases in productivity (measured against any reasonable standard) *and* orders of magnitude improvement in quality.

We've seen at least three *major* revolutions in production. Frederick Winslow Taylor introduced *scientific management* at the start of the last century. Ford's approach to *mass production* drove costs down to unprecedented levels. And, in the 1950's W. Edwards Deming jump-started the *quality* movement, contributing to the rise of Japan and subsequently revolutionizing operating procedures in production facilities the world over.

Of course, the rate of change we've seen in production cannot be sustained forever. Increasingly, managers are recognizing that their advances in production have exposed sales (including distribution[4]) as the weak link.

Today, sales is the new frontier. We're already seeing the focus of senior management shift to sales (and with focus

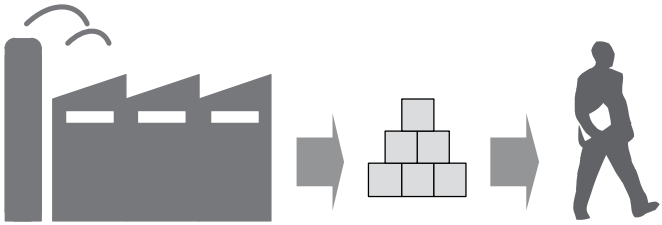
comes capital and brainpower). My prediction is that the next 50 years will bring revolutions in sales similar in scope and consequence to those we've seen in production.

Let this book be the first shot across the bow of the good ship Orthodoxy!

From make–to–stock to engineer–to–order

As mentioned previously, the fundamental assumption that sits at the base of the standard sales model is that: *sales is the sole responsibility of an autonomous agent.*

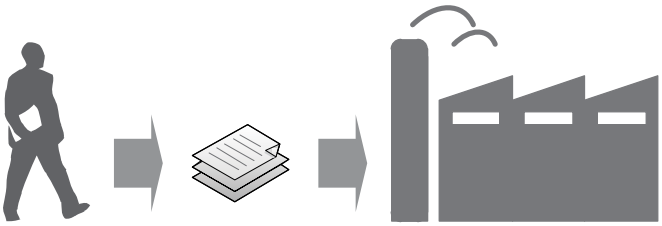
If we consider how a typical organization has been structured for most of the history of industry, this assumption is a perfectly reasonable one.



Make–to–stock

Above is a traditional *value-chain.* The production facility produces to maintain a stockpile of inventory. The salesperson sells from this inventory.

In this environment, it makes perfect sense for the salesperson to operate autonomously. The firm as a whole benefits when its salespeople sell as much as possible. Because inventory is already sitting in a stockpile, orders can be fulfilled as soon as they are received. And because of this stockpile, *there is minimal requirement for interaction between sales and production.*



Make–to–order

Increasingly, this is not how value-chains are configured. We have seen a recent and dramatic shift from *make-to-stock* to *make-to-order* environments. The latter reduces holdings costs and provides customers with greater choice. In a *make-to-order* environment it no longer makes sense for the salesperson to simply sell as much as possible. The salesperson needs to sell only what production has the capacity to produce. Rather than operating autonomously, the salesperson must *subordinate* to production.

This is complicated by a further twist in the value chain. Today, an increasing number of products (as well as *almost all* services) are actually *designed* (engineered) as they are being sold. In an *engineer-to-order* environment, tight integration between sales, engineering and production is critical. The degree of integration determines both the likelihood of the sale being won and the quality of the product delivered.

In such an environment, sales cannot possibly be the sole responsibility of an autonomous agent. In fact, for this reason, the standard model damages both sales performance and product quality (and, therefore, customer satisfaction).

In summary, the standard model always has and perhaps always will make sense in *make-to-stock* environments – where it is possible for the sales function to operate at arms-length from production. Such environments include:

1. Most consumer goods (typically sold in retail environments)
2. Consumer and small-business financial services (insurance and investment products)
3. Packaged software

However, in *make-to-stock* and (particularly) *engineer-to-order* environments, the requirement for tight integration between sales, engineering and production renders the standard model dangerously inappropriate. Environments like:

1. Business services (consulting, legal and finance)
2. Design-and-construct building
3. Enterprise software

Now we understand why sales environments look the way they do today – and why change is not necessarily an appealing proposition – let's return to the task at hand: redesigning the sales function.

DIRECTION OF THE SOLUTION

Let's consider how we might go about causing a *dramatic* increase in the productivity of the sales function. What might be the *direction* of the solution?

We should immediately discount traditional sales-improvement initiatives (sales training, for example). History suggests that, at best, such initiatives produce only incremental results.

For inspiration, we might look to manufacturing. This makes sense because we know that this is one part of the organization that *has* seen a dramatic increase in productivity in recent times.

Do we know the cause of this dramatic change? As it happens, we do.

In 1776, in his magnum opus, *An Inquiry into the Nature and Causes of the Wealth of Nations,* Adam Smith predicted that *division of labor* would drive a massive increase in productivity. He told the story of a pin-manufacturing operation where 10 workers had divided the production procedure into 18 distinct steps and shared these steps among themselves.

Individually, each worker could produce 20 pins a day. Collectively they were producing 48,000!

The benefits of *division of labor* are not enjoyed only in manufacturing environments. If we take a stroll around a typical organization, we discover *division of labor* in all types of production environments, in engineering and even in finance. In fact, the only part of the organization that has not embraced *division of labor* is sales!

Assuming that there is no reason to immediately disqualify *division of labor,* let's assume that this is the direction of our solution.

Playing the devil's advocate

But, not so fast!

If we were to commission an experienced salesperson to defend the standard model – to be the devil's advocate, as it were – can we imagine their objections to the concept of *division-of-labor?*

These are likely to be their two primary objections:

1. **Complexity:** "Sales is complex in most environments nowadays. You have multiple influencers and decision-makers. You have numerous conversations with multiple parties spanning weeks or months. This complexity does not lend itself to division of labor."
2. **Personal relationships:** "People buy from people. No one likes to transact with a machine. Division of labor will destroy the critical personal relationship between the salesperson and the customer."

Before we directly address these objections, it's interesting to observe that these are similar in nature to the objections you might hear from a craftsperson (an artisan) who is being encouraged to transition to a modern manufacturing environment.

This person is likely to suggest that if they do not *personally* craft their product, any increases in efficiency will surely be offset by a reduction in quality.

Of course, history suggests that the artisan's concerns are unwarranted! It just so happens that the changes we must make to a production process to improve efficiency are the *very same* changes that are required to maximize quality. (The quality revolution taught us that the words *efficiency* and *quality* are functionally synonymous.)

Complexity

Our devil's advocate is correct. A modern sales environment is certainly likely to be complex – for all the reasons stated.

But is complexity a reason to avoid *division of labor?*

If it is, we should see a decline in *division of labor* as we examine environments of increasing complexity. Let's consider two extremes in a production context: the assembly of a hang-glider, versus the assembly of a jet aircraft. The notion of a single person assembling even the simplest of jet aircraft is laughable. The fact is, in *truly* complex environments, *division of labor* is not just possible: it's essential.

Our devil's advocate has identified a potential problem in the application of *division of labor* – one we'll grapple with in due course – but they have not dealt our proposed solution a lethal blow.

Personal relationships

It's true that people enjoy (for the most part) interacting with other people[5]. It's also true that many salespeople have good relationships with accounts.

However, it's dangerous to assume (as salespeople frequently infer) that these relationships *cause* sales.

To see why, we should enquire into the origin of a salesperson's relationships. Specifically, which comes first, the sale or the relationship? The reality is, for the most part, the salesperson's relationships are the *consequence* of sales, *not* their first cause!

Now, our devil's advocate is unlikely to take this line of reasoning lying down! His immediate objection will surely be that the distinction between first and proximate cause is purely academic – and that if relationships and sales are related, it matters little how they came to be that way!

It's here that we must make a critical distinction – a distinction between the initial transaction in a series of transactions and the rest of those transactions. In most cases, the salesperson's initial transaction signals the acquisition of a *new account.* All of the subsequent transactions (assuming the same product or service type) are *repeat purchases.* The first transaction – because it signals the acquisition of an annuity – is many times more valuable than each of the subsequent ones.

Because initial and subsequent transactions are materially different, it doesn't make sense to lump them together and refer to them all *as sales*, as our devil's advocate is doing.

So, for the balance of this book, we will use the word *sale* to refer only to the acquisition of a new account (or the sale of a new product or service line to an existing one). We will refer to repeat transactions as *transactions*.

We must consider, now, the contribution that the salesperson's relationship makes to the *retention* of existing

accounts. There's no question that this relationship must factor into the retention equation but, what are the other considerations?

As we'll discuss in much more detail, every organization must have three core functions to be viable in the long run:

1. New-product development
2. Sales
3. Production

It's revealing to rank these three functions in the order in which we believe they will impact account retention.

In spite of the fact that salespeople, all over the world, are allocated responsibility for retention, it is extraordinarily rare to find a salesperson who will identify *sales* as the primary influencer of retention! Almost, without exception, salespeople recognize that production performance is the primary. In other words, the *number-one* thing that an organization must do to retain its customers is deliver on time, in full, without transactional errors.

Salespeople will also willingly volunteer that the *number-two* thing that an organization must do is ensure that its products are consistently better than – and cheaper than – its competitors': which is, of course, the responsibility of new-product development.

The shocking reality is that salespeople contribute little to retention, relative to production and new-product development – in spite of the fact that it is their responsibility (consider how many salespeople are actually referred to as *account managers*)!

If you are deficient in the areas of production or new-product development, it may be that your salespeople's personal relationships cause accounts to persist with your organization a little longer than they otherwise would. However, to claim *that personal relationships cause sales* amounts to either equivocation or outright denial (or a little of each!)[6]

PUTTING DIVISION OF LABOR TO WORK: FOUR KEY PRINCIPLES

With those objections out of the way, we've bought ourselves a little bit of time to piece-together our solution. *Division of labor* is not the solution, after all – just the direction of the solution.

Our devil's advocate intuitively recognized this when they raised the objection about complexity.

The thing is, when we apply division of labor to any environment, things tend to get a lot worse before they get better! The rewards offered by the successful transaction from the craftshop to division of labor are exciting (as reported by Adam Smith all those years ago) but the transition itself is difficult and extraordinarily perilous.

The fact that production has been the primary focus of industry for the last 100 years is evidence of the difficulty of the transition. The good news is that, if we intend to lead our sales function down the path already taken by production, this is indeed a well-trodden path.

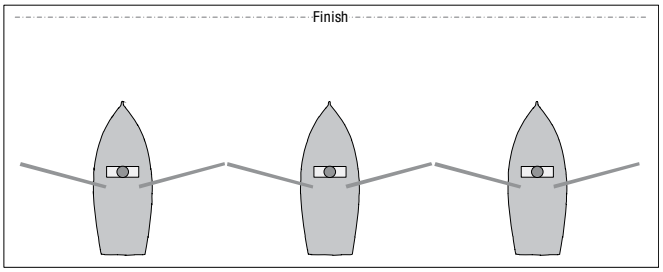
The lessons from manufacturing can be generalized into four fundamental principles:

1. Centralize scheduling
2. Standardize workflows
3. Specialize resources
4. Formalize management

We'll dedicate the balance of this chapter to the exploration of these principles – in their natural manufacturing context. And, in the next chapter we'll figure-out how to repurpose these principles for the sales environment. First, however, we need to be sure we understand the nature of the problem we are attempting to solve. To achieve that, we'll turn our attention to a boat race.

The primary challenge

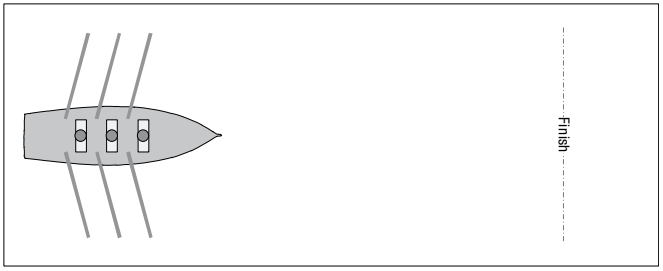
Two boat races, in fact: both time trials. In each case the oarsmen will attempt to maximize the speed of their vessels. (In the first race, the oarsmen's times will be averaged to determine the result.)



Autonomous agents

In the first race, each oarsman commandeers his own boat. Each is an autonomous agent. When the starter's gun fires, each oarsman must do his level best to maximize the speed of his vessel. And he does that, not surprisingly, by rowing as fast as is humanly possible.

This race is an allegory for the *craftshop* environment in manufacturing (and for the standard sales model).



Division of labor

In the second race, we make one subtle change. We put all the oarsmen in the one boat. The goal is the same: reach the finish line in the minimum time. But each of the oarsmen must undergo a radical shift in his approach to the goal. If each oarsman rows as fast as is humanly possible, the speed of the vessel will definitely not be maximized.

If each oarsman maximizes his individual rate of work, the consequences will be a lot of noise, clashing of oars and, possibly, a capsized boat! In this second race (an example, of course, of division of Labor), the speed of the vessel is determined primarily by the *synchronization* of the oarsmen – not by their rates of work.

Now, the shift of focus from *individual effort* to *synchronization* may not seem significant but it is – particularly when we consider environments more complex than a row boat. Learning to row in unison with others is tricky, but this skill (in this context) is made easier by two factors:

1. You are operating in close proximity to your colleagues – you simply stroke in time with the oarsman ahead of you
2. You have immediate feedback – you can see and feel the impact of your actions on the performance of the vessel as a whole

These factors tend not to be present in a more typical work environment (few people, today, work in row boats).

In a reasonable-sized manufacturing plant, for example, it's unlikely that all of the workers contributing to a process are in visual contact with one another. And, in a knowledge-work environment like (say) a sales function, work-in-progress is invisible and lead-times are long – meaning that there is no immediate feedback.

In such an environment, how do workers synchronize their rates of work? The short answer is that, without special intervention, *they simply don't.*

> Here's an interesting thought experiment.
>
> Consider the changes we would need to make to our row-boat *model* in order for this model to be representative of a standard knowledge-work environment.
>
> How about we replace each of the oarsmen with a rowing machine – a powerful solenoid, operated by remote control? And, how about we put each of our oarsmen in a cubicle in an office complex – with a remote control unit?
>
> On each remote control unit is a button that actuates the solenoid back in the boat and causes that oarsman's two oars to stroke. If each oarsman is isolated from the boat – and from his colleagues – and he is committed to winning that race – how will he determine when to press the button?
>
> Sadly, this humorous scenario is not dissimilar to many modern work environments. To complete the picture, all we need to do is add a manager who attempts to improve the performance of the boat by running from cubical to cubical encouraging everyone to row harder – and then who periodically berates team members for their lack of communication!

Principle 1: Centralize Scheduling

To claim that division of labor causes workers to become disconnected from the performance of their overall system is stating the obvious. After all, as we'll soon discuss, a narrowing of the worker's focus is both a benefit of, and a necessary condition for, division of labor.

It's inevitable, then, that division of labor will result in synchronization problems[7].

The solution is to centralize scheduling.

If you think of any work that you perform, that work can be broken into two components:

1. The critical activities that cause matter (or information) to change form
2. The determination of the sequence in which to perform these tasks and of when, exactly, to commence each

The second component of work is what we'll be referring to as *scheduling*.

Of course, scheduling is pretty easy when it's just you doing the work. You can learn the basics in a half-day time-management workshop! However, as you add more workers to the work environment, scheduling rapidly becomes very difficult.

The key to avoiding synchronization problems when we apply division of labor is to *first* split the responsibility for these two types of work. If we fail to do this, the local efficiency improvements that result from workers focusing on a single task will quickly be eaten-up by the general chaos that spreads through the environment (remember the clashing oars in the row boat).

There are many environments where the centralization of scheduling is a well-established practice:

1. The manufacturing plant (where scheduling is the responsibility of the master scheduler)
2. The project environment (where the project manager owns the schedule)
3. The orchestra (in a string quartet, the first violin sets the tempo; however, in the case of a full orchestra, a dedicated conductor is required)

4. The airport (consider the chaos if, in the absence of an air-traffic controller, pilots had to decide among themselves when to take-off and land!)

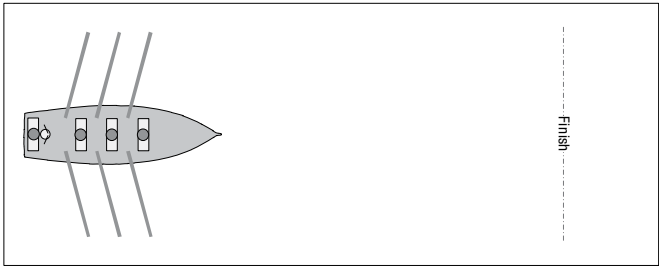
In each of these cases, scheduling is a specialty. (The project manager doesn't wear a tool belt and an air-traffic controller can be quite capable, even if they can't fly a plane.)

Now, it's true that even the most complex sales environments are less complex than a busy airport but, it's also true that almost every sales environment is significantly more complex than a row boat. Therefore, if we are entertaining the idea of applying division of labor to sales, we must first acknowledge that the very first activity for which the salesperson relinquishes responsibility will be scheduling.

Post Script

Until now, we have accepted that, in a simple environment – like a row boat – division of labor doesn't require the centralization of scheduling.

However, it's interesting to consider what we might do if we were really serious about winning the boat race we discussed earlier.



Centralized scheduling

If you look at most competitive rowing teams you'll discover – you guessed it – centralized scheduling!

In a scull, for example, the coxswain sits in the stern of the boat, facing the oarsmen, and sets the tempo to which the oarsmen row.

If we consider the racing scull for a moment, we can draw two interesting observations that relate to scheduling in all environments:

1. The coxswain is a dead weight (he does not row) and his inclusion increases the weight of the vessel by a significant amount. It's reasonable to assume, then, that the performance improvement resulting from the inclusion of the coxswain *more than compensates* for this weight increase. And this is in a simple environment where the centralization of scheduling is not even critical!
2. The coxswain maximizes the speed of the boat by causing all of the oarsmen to row at the same speed as the *slowest* oarsman. Therefore, to maximize the speed of the boat, all but one of the oarsmen must row slower than they possibly can.

Principle 2: Standardize Workflows

The need to standardize all workflows is regarded as self-evident by many managers. Note the attention paid to *standard operating procedures* in a modern workplace.

But it's worth acknowledging that standardization is only a necessity in an environment where division of labor has been applied.

If we were to insist that an experienced craftsperson create (say) violins following exactly the same sequence of steps for each instrument, it's not so clear that craftsperson's productivity would increase.

> Consider sales environments, for example. Almost every mid- to large-sized firm has invested tens (or, more commonly, hundreds) of thousands of dollars in CRM technology in recent years on the promise of increased sales performance. If you examine business cases for typical CRM implementations, you'll discover that many of these promises hinge on an assumption that the standardization of salespeople's procedures will cause an increase in sales.
>
> Of course, it's rare to encounter an organization that can point to *any* performance improvement that is attributable to the CRM. The reason for this is simple: capable salespeople neither need nor benefit from the standardization of their operating procedures. In fact, the CRM has provided capable salespeople with additional overhead: data-entry that must be done purely to satisfy management! When you consider the small number of sales opportunities that a typical salesperson is prosecuting at any point in time, it's clear that the salesperson's trusty Franklin Planner[8] is significantly more useful than the CRM!

But division of labor changes things: standardization suddenly becomes critical.

When the person who plans the work (the scheduler) is remote from the people who do the work, the standardization of procedures (and workflows) prevents the complexity of environments from multiplying to unmanageable levels.

In manufacturing environments the workflow is referred to as the *routing*. The routing is the path that work will follow through the plant, taking into account both the activities that will be performed and the resources that will perform them. The general rule in manufacturing is: same product, same routing.

If we apply division-of-labor to the sales environment, we must standardize our workflows for the same reason. For this environment to be manageable and scalable, all opportunities of the same type (same objective) must be prosecuted using the same *routing* – from the origination of opportunities, through their management.

Principle 3: Specialize Resources

In discussing the centralization of scheduling we've already broached the subject of specialization. We know that when we apply division of labor, the scheduler is the very first specialist.

Indeed, once we have centralized scheduling and standardized workflows, specialization is relatively easy.

Specialization causes a significant increase in workers' productivity for two reasons:

1. When a worker performs activities of just one type, they become very good at performing those activities
2. Switching between materially-different activities imposes a significant overhead on a worker. The elimination of this switching (multitasking) increases that worker's effective capacity

Of course, specialization doesn't just relate to people. In most environments, today, activities will be shared between people and machines (including computers). However, we should note that automation has *not* been the root cause of productivity improvement in the last 100 years. The primary is division of labor. After all, it's division of labor that has allowed us to simplify activities to the point where they can be performed by machines.

Principle 4: Formalize Management

It's interesting to note that there's no *essential* difference between a scheduler and a manager.

To appreciate why, let's consider when and why the concept of *manager* sprung into existence (at least in a business context).

In the craftshop environment, there was no such thing as a manager. Division of labor created a requirement for managers because, as workers became specialists, someone had to synchronize the operation of the work environment as a whole. That's right; *manager* is just another word for *scheduler*!

Today, scheduling is *still* management's primary responsibility; it's just that modern managers employ technical types to do the more detailed scheduling, freeing them to focus on compliance and the synchronization of their function with the rest of the organization.

Although scheduling and management are *essentially* the same, in practice, the manager plays a critical role for two reasons:

1. Division of labor causes work environments to become inherently fragile
2. Because the organization consists of a number of functions – each of which could be characterized as an oarsman in a larger boat – someone must pay attention to the synchronization of the organization as a whole

Specialization is a two-edged sword. It causes a dramatic increase in the productivity of each individual but it also causes each worker to operate in a vacuum – intently focused on their own work in progress (or their task list). To a great extent, the scheduler compensates

for this narrow focus, but the manager is still required to ensure compliance with the schedule, to resolve problems as they occur and to make decisions relating to the design and resourcing of the overall environment.

If we consider that the organization as a whole consists of a number of functions (sales, engineering, production, finance, etc) then we can see that the synchronization of the firm is as necessary as the internal synchronization of each function. This is the responsibility of the management structure as a whole, including all executives from the CEO down. In short, it's the responsibility of each functional manager to ensure that their function makes the necessary contribution to the goal of the organization (we'll pay more attention to this subject in due course).

You may be wondering why this principle is entitled *formalize management*, as opposed to just *manage*. Well, in the context of this book, the distinction is important. A sales manager in a traditional sales environment is *not* a manager and nor can they be.

Management only becomes possible *after* the application of division of labor. If the essential responsibility of management is scheduling – and if the salesperson in the standard model operates autonomously (they own their own schedule) – then a sales manager in this environment is a manager in name only.

By the way, the common claim that *I manage outcomes* is not a defense; it's an admission of liability. To manage outcomes is to not manage at all. A manager who manages outcomes is a spectator, not a manager!

So, armed with the direction of our solution (division of labor) and the four key principles that enable division of labor to work in practice, let's turn the page and envision a brand new model for the sales function.

CHAPTER 3: RE–ENVISIONING THE SALES FUNCTION

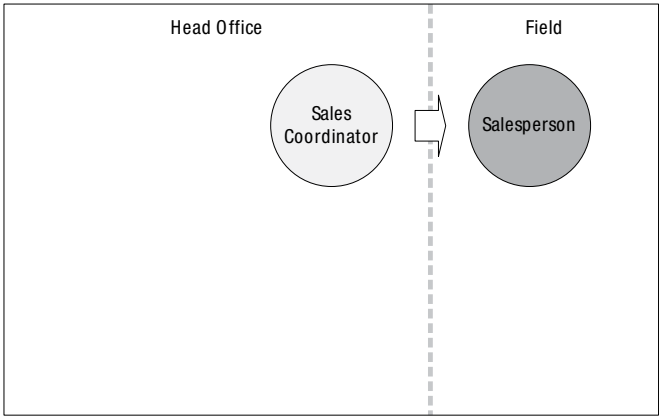
We commence with the direction of the solution (division of labor) and four key principles. On an otherwise blank sheet of paper, we have a single salesperson.

Yesterday, our sales function essentially consisted of a single salesperson. Tomorrow, sales will be the responsibility of a tightly synchronized team.

PRINCIPLE 1: CENTRALIZE SCHEDULING

Our first principle dictates that, as we push towards division of labor, our very first specialist must be a scheduler.

We'll elect to call our scheduler a *sales coordinator.*



It's important to note that this person is *not* a sales assistant. The word assistant would imply that it's the salesperson who allocates work. The opposite – as indicated by the direction of the arrow – is the case. The sales coordinator allocates work to the salesperson.

This means that the salesperson must transfer any and all scheduling responsibilities to the sales coordinator. This may be a more significant undertaking than it sounds when you consider that, in most cases, the salesperson's scheduling responsibilities are not limited to the management of their own calendar. In most cases, salespeople are interfacing with production and customer service, coordinating the delivery of their clients' jobs.

At this point in the discussion it's premature to allocate specific activities to resources but it will do no harm to draw four very general conclusions:

1. Our sales coordinator must perform all scheduling
2. Our salesperson will spend more time selling
3. Our salesperson should work in the field (not in an office)
4. Our sales coordinator should work from the head office

The first two conclusions are not at all contentious. But the second two are less obvious, but important, none the less.

Salespeople work in the field: not an office

Traditionally, salespeople split their time between the field and an office. And this is unavoidable when you consider the diverse range of activities for which salespeople are responsible.

If we have a choice, however (and we soon will), it makes sense to have salespeople spend all of their time in the field, for two reasons:

1. If we are going to spend the (not insignificant) money required to employ field salespeople, it makes sense to have them selling in the field where, presumably, they're more effective
2. A fundamentally different approach is required for scheduling field- and office-based activities – meaning that it's impractical to schedule a blend of both

Where the second point is concerned, field activities tend to be allocated to specific time slots – and protected with significant time buffers. (Prospective clients would rather salespeople's visits are pre-booked – and have little tolerance for salespeople who fail to appear when scheduled). This is not the case with office tasks. In most

cases it makes much more sense to allocate activities to a list – and then sort that list dynamically to ensure that activities are completed within an acceptable lead-time. (In the first case, the worker goes to the work, in the second the work comes to the worker.)

When salespeople visit the office, they inevitably bring their field practices with them – meaning that they are shockingly inefficient, compared to a dedicated office-based person. Of course, this sets a poor example for their office-based colleagues.

The sales coordinator works from head office

It would be tempting to assume that the sales coordinator should operate in close proximity to the salesperson – but the opposite is true. The sales coordinator should operate in close proximity to the business functions with which sales must integrate.

We've already discussed that the integration between sales, engineering and production is becoming increasingly important for the modern organization. Well, it just so happens that integration is significantly easier to achieve if the individuals responsible for scheduling each function operate in close proximity to one another.

Additionally, if you consider the salesperson's perspective, the salesperson will feel less disconnected from the organization as a whole if their sales coordinator is operating from head office.

The relationship between the sales coordinator and the salesperson

Although we are (for simplicity) drawing our inspiration from manufacturing, there is another type of production environment that is a better analogy for the sales function). It's the project environment. Certainly, it's healthy (particularly in major-sales environments) to recognize that sales opportunities are projects – and then to manage them as such.

We'll expand on this idea shortly, but for the meantime, let's consider the relationship between the sales coordinator and the salesperson by contrasting sales with another project environment where we have senior people working closely with schedulers.

That environment is the executive suite. In the executive suite of a decent-sized firm we will likely encounter at least one executive who works closely with an *executive assistant*. Unlike a *plain-vanilla* assistant, an *executive* assistant assumes overall responsibility for the initiatives (projects) in which the executive is involved – and, also, assumes responsibility for the executive's calendar.

The executive assistant maintains an awareness of all the initiatives upon which the executive is working (and their relative importance) and plans the executive's time so as to maximize the yield on their limited capacity.

If we take the preceding sentence and substitute *executive assistant* for *sales coordinator* and *executive* for *salesperson*, then we have a perfect functional description of the role of the sales coordinator. And if we reflect on the nature of the relationship between the executive assistant and the executive, then we will observe *exactly* the relationship that *must* exist between the sales coordinator and the salesperson in order for the sales function to be productive.

This discussion also sheds light on the inevitable questions about whether, in practice:

1. Salespeople will find it demeaning for someone else to plan their calendars
2. Potential customers will find it disturbing if salespeople fail to set their own appointments

The answer to both questions is a firm *no*. Treating salespeople like executives does not demean salespeople and, if anything, it elevates their standing in the eyes of potential customers.

PRINCIPLE 2: STANDARDIZE WORKFLOWS

We'll return to the subject of resourcing (and our diagram) in a moment. First we must standardize our sales-related workflows.

Our second principle dictates that we use a standard sequence of activities to:

1. Originate opportunities (identify or generate sales opportunities)
2. Manage opportunities (prosecute opportunities – resulting in either a win or a loss)

It makes sense to treat these as two workflows (rather than one) because opportunities tend to be originated in batches but prosecuted one at a time. Because opportunities tend to be originated in batches (via either prospecting or promotional activities) the idea of standardizing the first workflow is not a foreign one.

However, the case for standardization is not so clear when opportunity management is concerned. It's easy to see that standardization will yield internal efficiencies, but we must explore whether or not our ability to win orders will be negatively impacted by standardization.

Or, to frame this consideration as a question: do our salespeople require unlimited degrees freedom in order to effectively win orders?

The case for standardization

To address this question, we should first acknowledge that, whenever we are selling, a potential customer is buying. Therefore, our opportunity-management workflow is the flip-side of our potential customer's procurement workflow.

So, we can reframe our question: do our customers require unlimited degrees of freedom in order to make an effective purchasing decision?

Viewed from this perspective, the answer is, *not necessarily.* Increasingly, organizations are standardizing their procurement procedures for those products or services they purchase regularly. What's more, different organization's procurement procedures, for similar products, tend to be remarkably similar.

If we consider major purchases, I suspect the greater variation we see in procurement procedures is more a consequence of an absence of procedure than it is evidence of the absence of a need for one. In other words, I'm suggesting there probably is an objective *ideal procedure* for making major purchases – it's just that, because organizations make major purchases infrequently, they haven't gotten around to figuring out what it is!

I've often asked groups of salespeople who sell major products (enterprise software, for example) if there's a right and a wrong way for organizations to purchase a product like theirs and I've always been impressed by how well-reasoned and unanimous salespeople's responses are.

My suggestion, then, is that there is an ideal opportunity-management workflow for both minor and

major purchases. Where minor purchases are concerned, this is more likely to be determined, in advance, by your customers but there's unlikely to be enormous variation, from customer to customer. Where major purchases are concerned, customers are unlikely to be aware of the ideal procurement procedure, presenting you with an opportunity to take the lead and help them discover it.

If you sell major products (where *major* refers to the magnitude of the decision, not the dollar value), your entire opportunity-management workflow should be designed around the concept of you *taking the lead* – but we'll return to this point in a moment.

The anatomy of an opportunity–management workflow

Your opportunity-management workflow is little more than a sequence of standard activities. Here's a typical sequence for a minor product (or service):

	Activity name	Description	Objective
1	Capability–showcase meeting	Present organization's credentials and demonstrate capability	Gain agreement for requirement–discovery meeting
2	Requirement–discovery meeting	Determine client requirements and direction of solution	Gain permission to present proposal in formal proposal–customization meeting
3	Proposal generation	Generate proposal	
4	Proposal–customization meeting	Present proposal and fine–tune options relating to features, pricing, etc	Gain order for product or service

If we think of a sales opportunity as a project, then the table above is our project plan. In other words, it's our sales coordinator's job to schedule each of these activities in the sequence specified with each potential customer. And, as indicated by the *objective* column above, it's our salesperson's job to sell the next significant activity at each meeting.

At the first meeting in the sequence, the salesperson should sell the workflow as a whole. Now, because *opportunity-management workflow* is not a particularly client-friendly term, it's more likely that the salesperson will present this critical sequence of activities as your *engagement model.* (From now on, we'll use these terms interchangeably.)

Major product sales

Where major-product sales are concerned, it's necessary to make one fundamental change to the design of the opportunity-management workflow.

As hinted a moment ago, the absence of a formal procurement procedure provides an opportunity for your organization to take a leadership position. Specifically, if your potential client is not practiced in purchasing whatever it is that you're selling, then you should take the opportunity to manage their procurement procedure for them.

You do this by breaking your opportunity-management workflow into two parts:

1. Sell a solution-design workshop, feasibility study or similar
2. Via the solution-design workshop, sell your ultimate product or service

The solution-design workshop is a structured procurement procedure – facilitated by you, on behalf of

your potential client. In many cases the solution-design workshop will be more than a single workshop: it'll be a sequence of activities, like the following:

1. Pre-workshop research
2. Solution-design workshop (attended by all decision makers and key influencers)
3. Preparation of outcomes document (often a PowerPoint presentation)
4. Formal presentation of findings meeting (attended by all decision makers)

More often than not, it will be possible to charge for a solution-design workshop – and if you can, you should! But regardless of whether or not you charge, your solution-design workshop *must* be structured so that it delivers true stand-alone value to your potential client. (In other words, it cannot be a thinly-veiled sales presentation.)

When you are delivering a solution-design workshop, you have an obvious conflict of interest. This means that you must go to special trouble to ensure that your methodology is robust and your reasoning, immaculate.

PRINCIPLE 3: SPECIALIZE RESOURCES

If we return to our project analogy for a moment, we now have a project plan (our opportunity-management workflow), a project manager (our sales coordinator) and a resource pool containing a single resource (our salesperson).

It's time now to add to our resource pool so that we can exploit some of the potential of division of labor.

A nice starting point is to consider all of the activities performed by a typical salesperson and determine which can be allocated to other resources.

Activity name	Resource (current)	Activity type (proposed)
Prospecting	Salesperson	Promotion
Appointment setting calls	Salesperson	Administrative
Calendaring and travel arrangements	Salesperson	Administrative
Sales meetings	Salesperson	Sales
Follow–up calls	Salesperson	Administrative
Solution design	Salesperson	Technical
Proposal generation	Salesperson	Semi–technical
Production–related activities	Salesperson	Technical
Post–sale customer service	Salesperson	Semi–technical

Beside each activity above is a proposed activity type. Some of these are obvious – and some are a little contentious. So, let's be sure to resolve the contention, if we can, before we re-allocate four of the five following activity types:

1. Promotion
2. Administrative
3. Sales
4. Technical
5. Semi-technical

Promotion

It is possible for salespeople to generate their own sales opportunities but, *the fact that they can does not constitute an argument that they should* (and this statement applies to almost every other activity above too). The thing is, the generation of sales opportunities is extremely resource intensive if

they are originated one at a time – and salespeople lack the resources required to generate them in batches. Typically the batch-generation of sales opportunities requires the ability to procure and manipulate contact lists, the ability to produce funky promotional campaigns, the resources to broadcast personalized e-mail (or snail mail) and perhaps even the ability to promote and coordinate events.

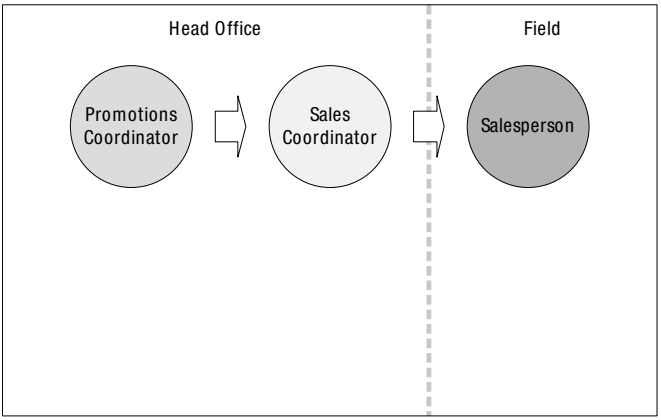
Salespeople lack these capabilities, so it makes sense to allocate responsibility for prospecting to the marketing department – and for marketing types, the generation of opportunities belongs to a subset of marketing called promotion.

But before we hand over prospecting to the marketing department, we need to be very clear on two points:

1. The person responsible for opportunity generation *must* be part of the sales function (not the marketing department)
2. A sales opportunity is *only* an opportunity if the potential customer has already been sold an initial meeting with the salesperson

If your firm is big enough to have a marketing department, it's big enough for people in that department to be pulled in all directions at once! Because your sales function can't operate without sales opportunities – and because sales is a critical function – there's a pretty sound argument that the generation of sales opportunities should take automatic priority over any other demands on marketing people's time. But, in reality, that will never happen!

The solution is to add a *promotions coordinator* to the sales function and make this person responsible for the administration of all promotional activities and, therefore, for the generation of sales opportunities. Your promotions coordinator should then use the marketing department as a resource for the creation or promotional collateral and so on.



If yours is a small firm (with no marketing department), point one is no big deal. If you need to add a promotions person, simply add a promotions coordinator to the sales function and have them outsource work that would otherwise have been performed by the marketing department.

Now, where point-two is concerned, if your promotions coordinator is responsible for the generation of sales opportunities, we need a functional definition of sales opportunity. You should define a sales opportunity as: *a prospect who has requested a meeting with a salesperson or who is likely to accept one if offered.*

In other words, I'm suggesting that the responsibility for selling the salesperson's initial meeting with a potential customer must rest firmly on the promotional coordinator's shoulders (and not the sales coordinator's).

Administrative

It should be easy to see why data entry, reporting, calendar management and travel arrangements have been categorized

as administrative activities but, what about appointment-setting and follow-up calls? How can they possibly be administrative?

Let's start with follow-up calls.

As we have discussed already, at each meeting within the opportunity-management workflow, it's the salesperson's job to sell the next critical activity. If the next activity has already been sold, the scheduling of that activity is purely an administrative function. The standardization of the opportunity-management workflow has automatically eliminated the requirement for salespeople to make unplanned and unstructured telephone calls.

Now, it *is* true that prospective customers will often need to be called multiple times before a meeting is finally scheduled, but hustling ain't selling: it's hustling – and good administrative people make much better hustlers than salespeople!

On the occasion that an administrative person discovers that further input from the salesperson is required before the next activity in the workflow can be scheduled; the administrative person should either schedule another meeting with the salesperson, or a teleconference. In either case, this additional meeting does not constitute a material change to the opportunity-management workflow; it's just a repeat of the preceding activity.

If you think about it, the initial appointment-setting call is no different from follow-up calls. If (and only if) the meeting has already been sold, the call is simply a scheduling exercise.

Here's a real-world example:

> Nigel is the director of sales for a large recruitment firm (one of our silent revolutionaries). Because he also happens to be most capable public speaker in the sales department, he's now addressing a room full of senior

executives – introducing a controversial approach to headcount management.

At the close of his presentation, he will ask delegates to complete a feedback form and encourage them to tick a box at the bottom of the form to indicate that they would like to schedule a *best-practice briefing* with Rick, the firm's local consultant (salesperson).

It's Nigel's expectation that a little more than 20% of delegates will tick that box and virtually all of them will meet with Rick. What's interesting is that Rick's sales coordinator is unlikely to call any of them. Setting those appointments is such a simple undertaking that she will simply send each an e-mail, asking them to nominate their preference from a number of available meeting slots.

This is an example of an effective promotions campaign: evidence that, if promotions is done properly, even the *initial* appointment-setting call is purely administrative in nature.

In due course, we will pay much more attention to promotions. I understand that the generation of opportunities is a tough problem for many organizations – and that my new definition of *opportunity* makes this problem even more onerous – but, for the moment, I have to ask you to suspend your disbelief!

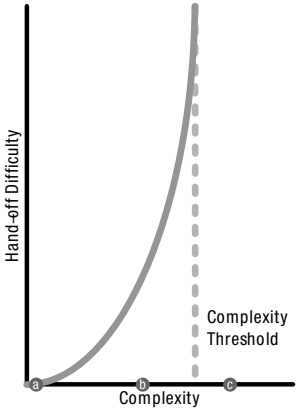
As perhaps you've already guessed, all administrative tasks (including both initial appointment-setting and follow-up calls) will become the responsibility of the sales coordinator.

Technical

Every major-sales environment has the same problem.

Salespeople become entangled in the delivery of the solutions they sell – and this entanglement cannibalizes their selling capacity.

This inevitable entanglement has a simple cause. The thing is, above a certain level of product complexity, a perfect hand-off from sales to production is impossible. Not just difficult: *impossible*. This means that, beyond this *complexity threshold*, information will always be lost when sales hands-off the project to production. This information-loss cannot be eliminated with more detailed briefings, more documentation or management exhortations to *better communicate*.



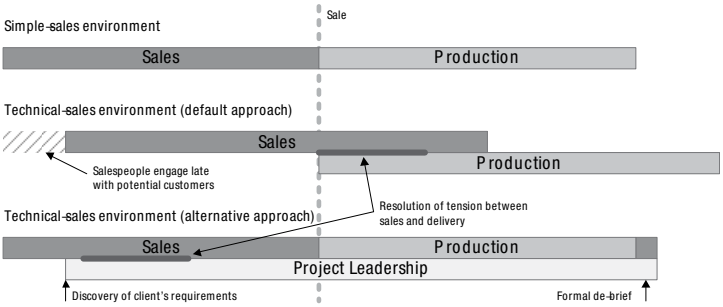
This graphical depiction of the complexity threshold shows that hand–off difficulty goes to infinity when complexity increases beyond a certain point. The markers on the x–axis suggest the degree of complexity in three environments: (a) make to stock; (b) make to order; (c) engineer to order

There are only two possible solutions to this problem:

1. Propose only products that are simple enough to sit beneath the complexity threshold (limit customization to a fixed menu of options)
2. Eliminate the requirement for a hand-off altogether

Of course, in major-sales environments, the second option tends to be the default approach. What happens is that the salesperson never fully hands-off to production: they remain on-call, post-sale, to answer questions and to interface with the client.

There is, however, another approach: one that has a profound impact on both sales effectiveness and service quality. The alternative approach is to add a third party to the mix: a person we'll call a *project leader*.



In a major–sales environment there are two approaches to the avoidance of hand–offs. In the default approach, the salesperson remains engaged through delivery. This results in a reduction in the salesperson's selling capacity and, consequently, late engagement with potential clients. It also defers resolution of the inevitable tension between sales and production until after the sale is won.

In this alternative approach, the project leader and the salesperson work side-by-side for most of the opportunity-management workflow.

Here are the essential characteristics of this approach:

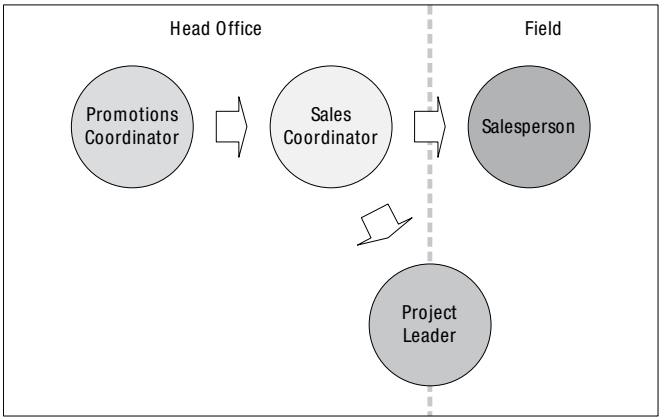
1. Because the salesperson has no post-sale responsibilities they have more selling capacity. This enables them to engage earlier with clients than they otherwise would – meaning that initial contacts are conceptual in nature.
2. At the point at which the client wishes to discuss (in concrete terms) their requirements, the salesperson introduces the project leader.
3. The project leader takes responsibility for *requirement discovery* and for *solution design* (in many cases, these will occur in the form of a formal solution-design workshop).

4. From this point until the point of sale, the salesperson and the project leader work together. The project leader is responsible for the technical component of the engagement and the salesperson, the commercial component.
5. Post sale, the project leader champions the project as it moves through production. This means that the project leader replaces the salesperson as the primary point of contact for both production and the client.

The sole responsibility of the project leader is to manage the interface between production and both the client and sales. When they do their job well:

1. The product presented to the client is both saleable and deliverable (taking into account features, price, delivery lead-time, etc)
2. The product that is ultimately delivered to the client fulfills the client's requirements, without compromising the profitability of the organization (understanding that the client's requirements may well have changed – or been reinterpreted – during delivery)

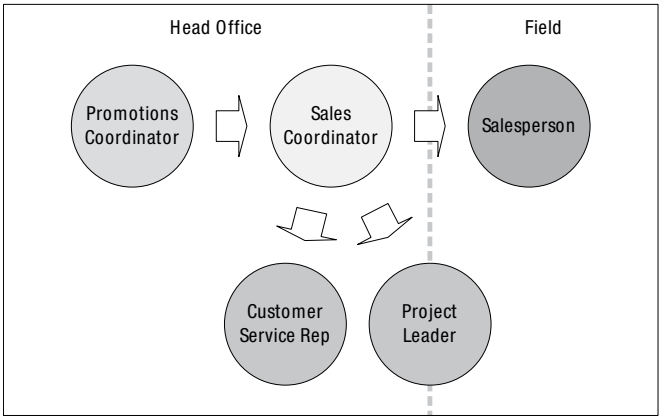
Because the project leader seeks to optimize the numerous trade-offs though both the opportunity-management and delivery phases of the engagement, it should be clear that their role is critical and their contribution invaluable. For this reason, the project leader should always have protective capacity (they should never be over burdened with work). Accordingly, it is *not* a problem that the project leader works both in the office and in the field. If we are deliberately maintaining the project leader at less than 100% utilization, it is obviously not necessary to maximize their efficiency.



Semi–technical

Semi-technical activities include the generation of standard proposals, the processing of repeat transactions and the provision of after-sales support.

All these activities – as well as any others that are semi-technical in nature – should be allocated to the customer service team.



Curiously, most organizations already have customer service teams. However, the primary responsibility for customer service rests with the salesperson. The result tends to be that the customer service representatives are disillusioned and generally unprepared to take ownership of customer service cases (we'll use the word *case* to refer to a unit of customer-service work).

This means that two changes must occur. The customer service team must rapidly develop both the capability and the capacity to take full ownership of the entire customer-service case-load. And, salespeople must extricate themselves from customer service.

In practice, the latter is not as difficult as it sounds. With two simple initiatives, it can be accomplished quite quickly:

1. Salespeople must avoid taking ownership of customer-service cases in the first instance. This is easier than it sounds. For example, if a client asks a question about an incorrect order, the salesperson might use their cell phone to initiate a three-way conference call between the client, a customer-service representative (CSR) and themselves.
2. Customer service representatives must *assume* ownership of cases as soon as they encounter them. With this in mind, it is useful, in the design of your customer-service workflow, to stipulate that the CSR must send the client an e-mail when each case is opened and closed. Obviously, the first e-mail should make it clear that the CSR is the person responsible for resolving the issue and is, consequently, the primary point of contact.

The customer-service team must be head-office based (close to production). If there's a requirement to perform field visits in order to resolve customer-service cases (perhaps to inspect a problematic product), the CSR should task the

project leader to perform this visit and report back with the necessary information.

If we return to our project analogy – where we compare a sales coordinator with a project manager – we can now see that our sales coordinator has inherited a resource pool consisting of three resources (salesperson, project leader and customer service representative).

This means that, in order to prosecute each sales opportunity, the sales coordinator will break the opportunity into a series of activities and allocate each activity to one or more of these resources, in accordance with the routing specified in the opportunity-management workflow.

The client's perspective

It's easy to see that this model is quite ordered and logical from the organization's perspective: but what about the client? In asking our clients to interface with multiple people, haven't we just made their worlds more complex?

It's true that in this model, clients will interface with four people (sales coordinator, salesperson, project leader and customer-service representative).

It's also true that, today, most clients ask for – and most organization's strive to provide – a single point of contact. However, reality is a little more complicated than this.

It's a mistake to commence this discussion with an assumption that the traditional model delivers good customer service. It simply doesn't.

It's also a mistake to take clients' claim that they'd rather have a single point of contact at face value. In practice, clients can be quite aggressive in seeking-out relationships with other individuals if they sense this is in their best interest.

My experience is that the following statements are closer to the truth (particularly in major-sales environments):

1. Clients don't mind multiple points of contact, but they want a *single conversation.* In other words, they will willingly speak with multiple people within your firm as long as they do not have to repeat themselves.
2. If clients have a choice between dealing with a single generalist and multiple specialists, they would rather speak with specialists.
3. Although we talk about *the client* as if this were a single entity, in most cases, there are multiple people client-side involved in the purchase and consumption of your products.

You will discover that this new model provides a vastly better quality of service, provided you ensure that:

1. There is a clear delineation of the responsibilities of the four parties with whom clients interact
2. Sales coordinators (who are planning all opportunity-management activities) and CSR's are in close communication with one another

PRINCIPLE 4: FORMALIZE MANAGEMENT

As discussed, the downside of division of labor is that it causes environments to become fragile. Although it's the responsibility of the sales coordinator to synchronize the various team members, management oversight is critical for a number of reasons:

1. Sales coordinators tend to be younger and less-experienced than both salespeople and project leaders. Accordingly, the sales coordinator's mandate is very limited. If the sales environment is operating exactly as it should be, they have total control over the schedule. However, a relatively small disturbance in the operation of the environment can render them impotent.

2. The sales function must integrate effectively with other functions (production and marketing, to name two). Because the sales coordinator tends to be relatively inward-looking, it's necessary for a more senior person to interface with those other departments.
3. In most sales environments there are multiple sales coordinators (one for each salesperson). This means that a more senior person must manage any contention between sales coordinators (or salespeople).
4. As with any environment, there's a requirement for a senior person who is somewhat detached from the day-to-day minutiae, to perform a periodic audit

Hence the requirement for a sales manager.

The sales manager's most important duty is to chair a regular (*at least* weekly) sales meeting. To be effective the sales meeting must have an explicit agenda, it must run to the agenda, and it must be short (20 minutes)!

The model for an effective sales meeting should be the standard factory (stand-up) work-in-progress meeting.

The enduring challenge with sales management in general, and with the conduct of sales meetings in particular, is the absence of objective information. Many organizations have given up on sales meetings because, in the absence of objective information, they are ineffective, at best; caustic, at worst.

With division of labor, an interesting change has occurred, with respect to management information. Previously, all sales-related information was owned by the salesperson – who was free to reveal (or not) this information when it was advantageous to them.

In the new model, the sales coordinator is the central information repository. Not only are they aware of sales activities *before* the salesperson (they schedule them), but

they receive accurate and timely updates from the salesperson (the salesperson can only disadvantage themselves by failing to communicate).

Provided, then, we have the necessary technology (a subject we'll get to in due course), we are now in a position to have an objective – and therefore productive – sales meeting.

In addition to the conduct of sales meetings, the sales manager should be responsible for:

1. Accompanying salespeople in the field to share *best practice* between salespeople
2. Accompanying salespeople on (typically) late-stage meetings to assist in the winning of deals
3. Participating (along with other senior managers) in the formulation of offers and other decisions that must be made by a multi-functional committee
4. Whatever activities are required to maintain the overall health of the sales environment and the quality of the interface between sales and other functions

It should go without saying that this new model empowers the sales manager. With the critical combination of *information* and *control* (via the sales coordinator) they are transformed from a lobbyist to a true manager.

In Chapter 1, we encountered James Sanders Group (one of our quiet revolutionaries). We discussed Jennifer's enormous productivity and the productive relationship she has with David (her sales coordinator) and Phillip (a project leader). We also discussed the critical role that customer service has played in the remarkable transition that has occurred at JSG.

This chapter should have shown how our four key principles lead logically to this end result. In part two of this book we'll pick up on the many threads left open in this chapter. We'll talk more about major-account selling, about promotions, technology, and so much more.

But before, we dive deeper into the practical workings of SPE; we should widen our focus and consider the sales function as a single cog within a much larger machine or, if you like, as the machine within the machine.

REFERENCES

[1]Actually, in 2002 a Proudfoot study revealed that in Britain salespeople spend just 7% of their time selling (with travel and administration claiming the lion's share): http://www.allbusiness.com/sales/1092784-1.html

[2]The organization's customer-database and sales-management technology is typically referred to as 'The CRM'. CRM stands for Customer Relationship Management. CRM is a subset of Enterprise Resource Planning (ERP) software.

[3]Granted, Sales Spectator is not as sexy a role description as Sales Manager

[4]Technically, sales should be regarded as a subset of distribution. But, because this book focuses on the former, I'm taking the liberty, on occasion, of using sales to refer to both.

[5]Although, in some cases interacting with a machine is preferable. I think most people would rather extract cash from an ATM – even if it means foregoing a relationship with a tank teller!

[6]It is true that salespeople's relationships may assist in the sale of new product (or service) lines to existing accounts. However, it's more common than not to see salespeople neglecting cross-selling opportunities because they are so entangled in day-to-day customer service. The thing is that the two activity types (customer service and sales) tend not

to comfortably co-exist. In time, salespeople end up doing one or the other, rarely both.

[7]Technically, division of labor causes environments to become chaotic because of the complexity caused by a combination of resource dependency and variability in task completion time. To develop an understanding of the source of this chaos, as well as a method to tame it, read The Goal (Eliyahu Goldratt ISBN: 0884271781).

[8]The Franklin Planner is one of a number of calendar-based time-management tools. Of course, time management is what we call scheduling in the absence of division of labor.

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