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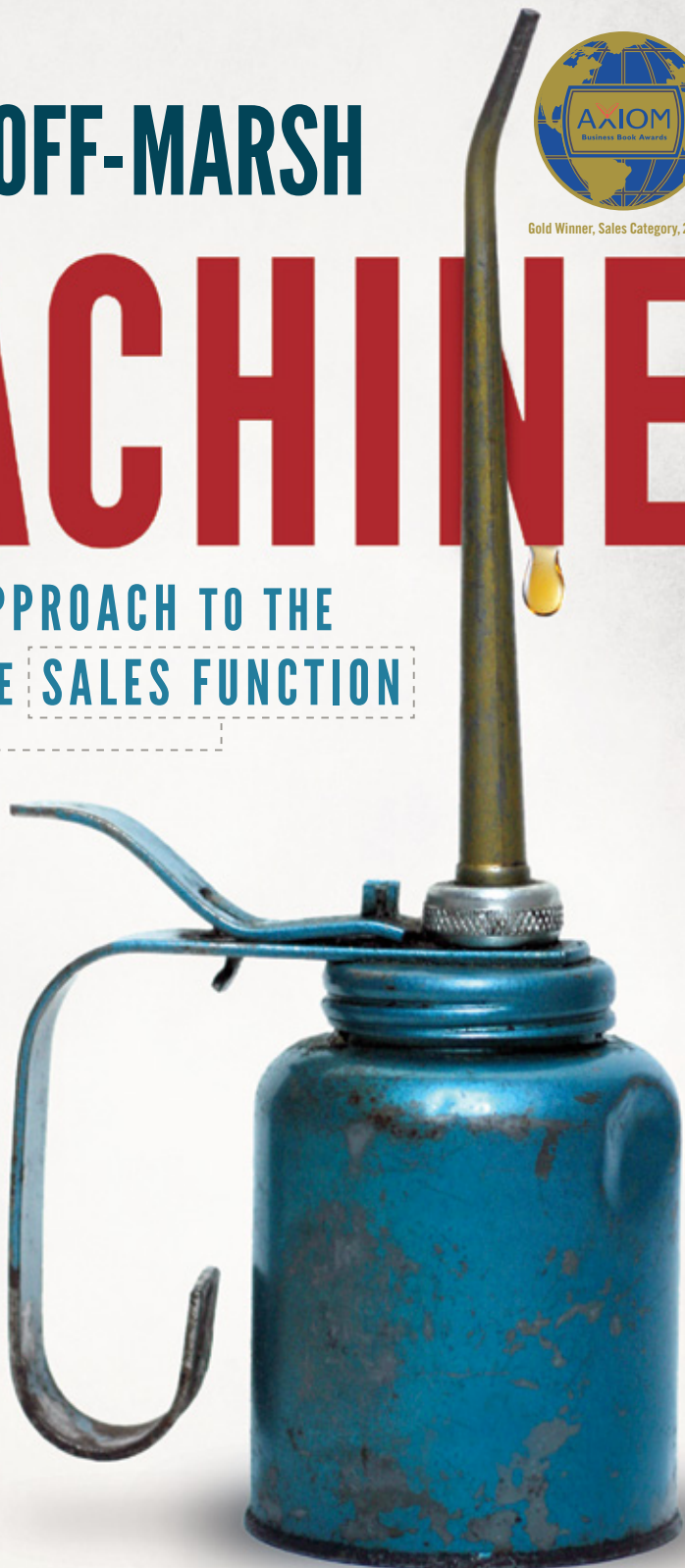
Gold Winner, Sales Category, 2016

# THE MACHINE

A RADICAL APPROACH TO THE  
DESIGN OF THE SALES FUNCTION

The first comprehensive application of the Theory of Constraints to sales management

Critical reading in all technical and major-account sales environments



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# Introduction

The *Titanic* is sinking: All is not well in sales.

The sales environment in a typical organization—in most every organization, in fact—is seriously dysfunctional. But rather than focusing on the obvious dysfunction, management is busy with incremental improvement initiatives: sales training, sales force automation (technology of various types), or bolt-on lead-generation activities (e.g., outsourced telemarketing, social media activities). 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.

## SILENT REVOLUTIONARIES

In a small number of companies, across three continents, a silent 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! They've seen improvements in the internal operation of sales:

- Field salespeople are spending 100 percent of their time in the field, performing four business-development meetings a day, five days a week.

- Skilled inside sales teams are generating high volumes of sales activity at shockingly low costs.
- Customer commitments are consistently met, administrative work is always done on time, and sales orders appear more frequently and more predictably.

And they've also seen improvements in the relationship between sales and the rest of the organization:

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

As I mentioned above, 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 I reveal 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). It's tempting to resolve that the goal of sales is *to sell*. But, in most organizations, this just doesn't cut it. To pull its weight, the sales function has to *consistently sell all of the organization's production capacity*. This capacity may consist of a traditional plant and equipment, or it may consist of teams of knowledge workers.

Measured against this more meaningful goal, sales consistently fails in most organizations. In recent history, the modern organization's capacity to produce has accelerated past its capacity to sell, and idle machines and production personnel are costing shareholders dearly, month after month and year after year.

Why, then, is sales underperforming? One reason is that salespeople aren't selling. A typical field salesperson performs just two business-development meetings a week. You read it right. Less than 10 percent of a typical salesperson's capacity is allocated to selling. And that figure is pretty standard across industries and across continents.<sup>1</sup>

The majority of a salesperson's day is dedicated to customer service and administrative activities, to solution design and proposal generation, and to prospecting and fulfillment-related tasks.

Let's turn our attention to management. Why has management not fixed this problem? In many organizations, they have tried. Attempts to reallocate salespeople's work have resulted in problems with service quality (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 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.

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 *coax* 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” customers, implying that they can leave and take the organization's goodwill elsewhere—which, to some extent, they probably 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 sales 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, their own.

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 customer relationship management application (CRM).<sup>2</sup> We pay them a mix of salary and commissions. 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, they will always pick the *least bad* 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 this casual assertion, 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, 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 activities and are held accountable only for outcomes (as is so often advertised), there is literally nothing for management to do. *Managing outcomes*, after all, continues to be an oxymoron, no matter how many times you say it!<sup>3</sup>

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. But what should that be?

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 the division of labor. The division of labor enabled manufacturing to transition from a cottage industry to the modern manufacturing plant. And the division of labor has had the same catalytic effect on project environments (think construction, aerospace, finance, and even marketing). The modern sales environment resembles manufacturing as it used to look more than a century ago.

But that's about to change! The silent revolutionaries have scrutinized sales for evidence that this function is somehow unsuitable for the division of labor. Their search has been fruitless. The new assumption, around which their sales environments have been engineered and on 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 how 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 silent revolutionaries).

## **THE MACHINE**

This book likens the result of this new approach—quite unapologetically—to a machine.

This metaphor is apt because, under this new approach, sales becomes the consequence of a number of interrelated processes—rather than the output of a person. Salespeople become a component in a much larger machine (albeit an important component!). And management assumes total responsibility for the design and day-to-day performance of the sales function (managers own sales targets, and they cannot delegate them away).

In this book, I'll explain why sales must be viewed as a machine, rather than as a person. I'll detail how to create a smoothly functioning sales machine—and how to integrate it with the rest of your organization. And I'll counsel you on the (often perilous) transition from your status quo to *The Machine*.