

Eight Uncomfortable Truths for Industrial Organizations

Update your organizational model and reignite growth.

Your senior management team won't like these truths. They won't necessarily argue that they are false, they just won't like the organization-wide implications of them. The good news is that your competitors' management teams will like them even less!

The better news is that if you have the resolve to transform your organization around these 8 truths, you will quickly open up an unassailable lead on your competitors.

1



Make Operations responsible for revenue.

Make Sales focus exclusively on growth.

2



Optimize for speed.

(Don't optimize for proximity to customer).

3



Fix your partnerships

(yep, they're broken) to ensure clear demarcation lines between manufacturer and reseller.

4



Fix your engineering department.

(Salespeople aren't engineers & production engineers aren't design engineers).

5



Sell programs, not products.

The value's in the services you wrap around the products.

6



Embrace an inside-out approach to selling.

(Sales and customer service based inside. Application Engineers and Field Specialists out in the field.)

7



Make most sales activity campaign driven.

Let your proposition lead you to accounts, not the other way around.

8



Pay Salespeople salaries, not commissions

(and performance should not be optional!).

1



Make Operations responsible for revenue. Make Sales focus exclusively on growth.

- In any reporting period, most revenue comes from existing customers repurchasing.
- Your retention of those customers is a primarily a function of your operational performance (on-time delivery performance, pricing, and product features).
- So, there is no fundamental reason why sales needs to be involved with (or responsible for) revenue.
- Operations should be redesigned so that it can take full responsibility for the maintenance and growth of customer relationships.
- This will allow the Sales department to focus exclusively on growth (the pursuit of new accounts and the sale of new categories to existing ones).
- Sales should be held accountable for Discounted New Business Value (not Revenue).

2



Optimize for speed — not proximity—to customer.

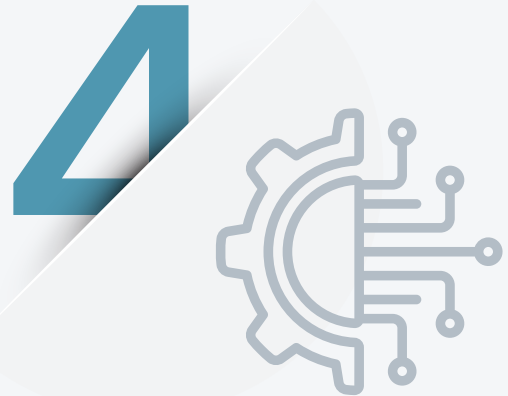
- Conventional wisdom is that customers want to do business with local vendors (with whom they can build a relationship).
- Truth is, if customers have a choice of speed or proximity, they'll almost always choose the former.
- Few customers are prepared to pay a premium for a personal relationship with a vendor employee.
- A network of local offices actually decreases fulfillment lead time, when availability is taken into account.
- You should exchange a network of local offices for a small number of regional distribution centers—each with a fleet of vans.





**Fix your partnerships
(yep, they're broken)
to ensure clear
demarcation lines
between manufacturer
and reseller.**

- Industrial organizations tend to be saddled with a distribution model that evolved under market conditions quite different from today's.
- There should be a clear division of responsibilities between partners in your supply chain.
- If you're a manufacturer and you work with resellers, they should either be bringing you customers that you couldn't otherwise access or they should be packaging your products with value-added services (the latter is preferable).
- If you're a reseller, you must ensure that you are adding value with services that it does not make economic sense for your principals to provide.
- In most cases manufacturers should have sales teams, either to sell direct or to generate demand for resellers (whose services are required for delivery).
- Neither manufacturers nor resellers should allow inertia to become the primary bond between partners.



**Fix your engineering
department (salespeople
aren't engineers and
production engineers
aren't design engineers).**

- If you want to estimate the value that your organization is adding to customers with technical services, count the number of engineers you have on payroll.
- If you have salespeople masquerading as engineers then you are not serious about technical services and you are likely delivering negligible value.
- Custom solutions should be designed by engineers and programs (think Vendor Managed Inventory) should be planned and managed by engineers. Your salespeople should be selling.
- Within your engineering department, there should be a clear demarcation line between design engineering (high cadence, low resolution and sales facing) and production engineering (low cadence, high resolution and production facing).

5



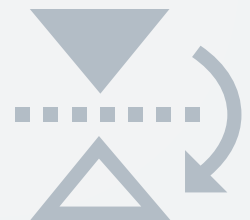
Sell programs, not products. The value's in the services you wrap around the products.

- If you have a product that's materially different from those of your competitors, by all means sell it. If not, sell a program instead (think, Vendor Managed Inventory or a Managed Services offering).
- Ideally, all programs should include the automatic replenishment of products.
- If you don't have a program to sell (or a meaningfully different product) then you don't need a sales team. Better to give the money you save back to the market in the form of lower prices.
- If you're a reseller, it's even less likely that you can compete on the basis of a differentiated product, so, sell a program instead and remember, if your program doesn't need an engineering team to support it, it's probably not much of a program.

Embrace an inside-out approach to selling (Sales and customer service based inside. Application Engineers and Field Specialists out in the field.)

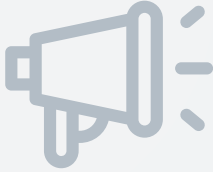
- A salesperson's unit of work is a selling conversation. Selling conversations do not need to be performed in the field and, for the most part, they haven't been in years.
- Your salespeople won't like to admit this but you simply don't have to be face-to-face to have a selling conversation—particularly where major transactions are concerned.
- Selling conversations should be performed on the phone if they are trivial in nature, or in Web Meetings if they are important. No exceptions.
- It's true that there are often face-to-face meetings required to sell stuff but these are not selling conversations, these are technical conversations performed in support of the sales effort. These technical meetings should be performed face-to-face (if truly necessary) by application engineers (not salespeople). No exceptions.
- When you move your salespeople inside, their effective rate of work (selling conversations per day) will increase by a minimum of 400%.

6



Make most sales activity campaign driven. Let your proposition lead you to accounts, not the other way around.

7



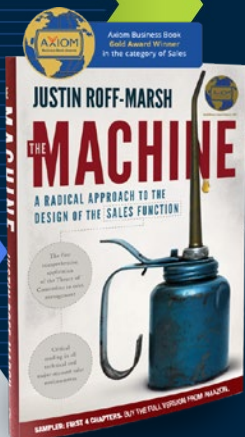
- With the exception of major (named) accounts, all sales activity should be campaign-based.
- Your entire sales team should work on one campaign at a time (all should work on the same campaign).
- A campaign is simply a commitment to take a particular proposition to a particular market segment.
- A campaign should run until your sales team has approached every decision-maker in the chosen market segment with the chosen proposition. For as long as your competitors have customers, your salespeople will not have a shortage of sales opportunities.
- Batching sales activity by campaign (rather than by account) generates economies that enable better propositions, better sales collateral and better sales training than would otherwise be practical.

8



Pay Salespeople salaries, not commissions (and performance should not be optional!)

- Of course, salespeople will agree that all of the above makes total sense but will make absolutely no change to their modus operandi until management removes their autonomy, gets rid of commissions, pays them their fair market value and insists that consistent performance is mandatory (not optional).
- Recognizing that it doesn't make sense to compensate individual contributors on a piece-rate basis is an important part of maturing as a manager.
- Those who push back against the elimination of piece-rate pay should be counseled in the nature of complex operational systems (you know, the output of the system is not the sum of the individual rates of work, and all that) and provided with a more appropriate framework with which to make important business management decisions (i.e. advised to read The Goal by Goldratt).



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