How to Grow Your Business Through Lean Process Improvement in Sales and Marketing

A Guide for Chief Executives and Business Unit Leaders

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**Why Extend Lean Process Excellence
to Sales and Marketing?**

Few companies that have successfully applied process excellence to their production operations have similarly applied it to sales. This is understandable, but unfortunate. Understandable, because sales is very different than the production processes that gave rise to these methods. Unfortunate, because these methods—Lean, Six Sigma, TQM, Kaizen, etc., which I bundle as "Lean process excellence" or "process excellence"—can do more to improve your marketing and sales function than anything else you can do.

Sales *can* be managed as a business process, in ways quite similar to those used to manage production processes. After all, sales (in which I include marketing unless I separate the two terms) is a process for producing customers. That process can be measured, monitored and improved using methods similar to those that have transformed production processes. However, those methods must be adapted to the unique requirements of sales, a fact lost even on many otherwise savvy executives and process improvement experts.

The idea that sales can be managed as a business process, similar to a manufacturing production process, may at first seem impractical. Sales aims to shape the behavior of people, not the quality of products. Moreover, those people are customers, not employees or suppliers. Yet over the past ten years, I have seen how sales can be managed as a process and the excellent results companies have achieved. In fact, I've learned that applying process excellence in marketing and sales is one of the most strategically powerful things a leader can do for an organization. Why should improving your sales process be a strategic priority?

1. *Increase productivity by reducing waste and the cost of sales*

In most organizations sales is something of a black box, especially compared with production. Resources are added in an effort to increase sales, and cut when cost pressures mount. But rarely does an organization study marketing and sales productivity and attempt to reduce the tremendous waste that these functions generate. When sales expenses are reduced, it is done based on gut feelings rather than any kind of rigorous analysis. In fact, rigorous analysis is not

possible because marketing campaigns, salespeople, ad dollars and so on are typically managed without much process measurement. That's because management usually focuses only on sales results: orders.

When you focus only on sales results—deals closed, weekly and monthly revenue, etc.—rather than process measures, you cannot tell what is or isn't working, what is or isn't waste, and what should or shouldn't be increased or decreased. Your sales team cannot tell which customers will or won't buy, so they cannot reduce cost by spending more time on the former and less on the latter. Most sales organizations are in this situation. Without applying process excellence methods to marketing and sales, it is difficult to obtain the data and evidence of process measures to make more rational decisions.

2. Increase revenue and customer loyalty:

Every day, your customers tell you what you need to know to sell more to them—*if* you know how to listen. They are in need of what you sell. They *want* to do business with you. Yet much of the time your marketing and sales teams are almost certainly interacting with them in the wrong way. Most companies take a "product-out" rather than a "customer-in" approach to these interactions. Ask yourself honestly: Is our sales approach really dedicated to helping our customers understand their business challenges and how we can solve them? Or are we more interested in racking up revenue?

It takes effort to move from product-out to customer-in approaches. It takes a change in the way you and your people think about sales and how you approach customers. Ultimately, however, a customer-in approach makes sales easier for both your company and for your customers. Why? Because you become more responsive to your customers. That gives you a competitive advantage that is far harder for competitors to duplicate than a product innovation or new business strategy.

3. Improve allocation of resources:

Senior management is responsible for developing processes by which managers and employees pursue the organization's goals and, with reasonable training and resources, generally achieve the intended results. Under such circumstances, people can be held properly accountable (and

would welcome this accountability). Instead of managing in this way, most sales functions rely on the heroic efforts of a few stars and end-of-month efforts to close like crazy. They cannot really explain why sales results met, exceeded or fell short of goals.

But management teams in sales organization that adopt the concept of standard work[1] know where to allocate resources, and are then able to focus on the exceptions—and to improve the system's productivity. Most important, they would have a stream of data telling them about the common, high-impact issues preventing the sales team from making its numbers. This is the heart of generating improvement in marketing and sales.

4. *Capture more value from process improvement:*

Organizations that have invested in Lean process improvement in production but not yet in sales are on the verge of a real opportunity. The potential revenue and profitability gains in sales are often greater than in production, where most of the waste has already been reduced.

This occurs for three reasons:

1. Since Lean sales process excellence builds on the same scientific principles as Lean production process excellence, your current investment in process excellence can be leveraged. Your organization also benefits from sharing a common, customer-focused method of improving value and solving problems.

2. You will be better able to locate root causes of sales problems that may lay outside the sales department.

3. Sales and marketing precedes production operations in the value stream. Our experience confirms that applying process excellence here produces a more profound impact on the rest of the organization because resources can be applied more directly to what customers value.

The leadership challenges of applying Lean process excellence are substantial. Yet once you understand how process excellence translates to marketing and sales, these leadership challenges

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[1] Standard work: A set of shared knowledge and respectful agreements about the best way of doing the work or accomplishing a specified objective. The purpose of standard work is to enable the best possible result. The concept of standard work is pivotal in Lean and other process approaches.

are no more difficult than in any other function. In fact, if you have been successful with Lean manufacturing, making the transition to marketing and sales will be easier.

The use of Lean process excellence can drive transformational change through the use of data-driven management decision-making that can eliminate waste and improve customer satisfaction. This is vital to increasing return on business investment, reducing risk and ensuring business sustainability.

Consider the following:

Questions for Consideration

- If you were to draw a map of the high-level components of your sales process, what would they be?

- What is the value that your sales process creates? What evidence or data do you have to support this?

- What do you believe are the key challenges and issues that might surface in your organization—and your market channels—if you begin moving toward Lean sales process excellence?

Chapter 1

What is the Sales Process?

In marketing and sales, the word "process" often has negative connotations: restricting freedom, establishing process for the sake of process, etc.

It can mean different things to different people. To most sales people and managers, the sales process comprises the *things salespeople do* to move customers through the "sales funnel"—the stages customers go through, from being prospects to leads to customers. Many sales managers think of the sales process as the sale itself: "Where is Acme Company in the sales process, and when are they going to buy?"

Most general managers also think of the sales process as the sales pipeline, prompting them to request reports on the number of prospects, sales calls (or deals in progress), deals expected to close, and deals closed within a specified period.

For me, the most useful definition is:

> *The sales process is the set of linked, measurable activities that*
> *the organization uses to find, win and keep customers.*

This definition is useful because we can:

- Define sales as a business process and consider the rationale for each activity and the linkages among them

- Consider the role of each activity in finding, winning and keeping customers as well as the inputs and outputs related to each activity

- Develop ways to measure each activity *and* its costs and results, so they can be improved

It's also useful to think of sales as *a process for producing desirable customers.* Like any production process, sales takes inputs (people who may need your product or service) and, by adding value to them, transforms them into outputs (customers). In adding value to these people, the sales process converts leads into prospects, prospects into deals, and, ultimately, customers.
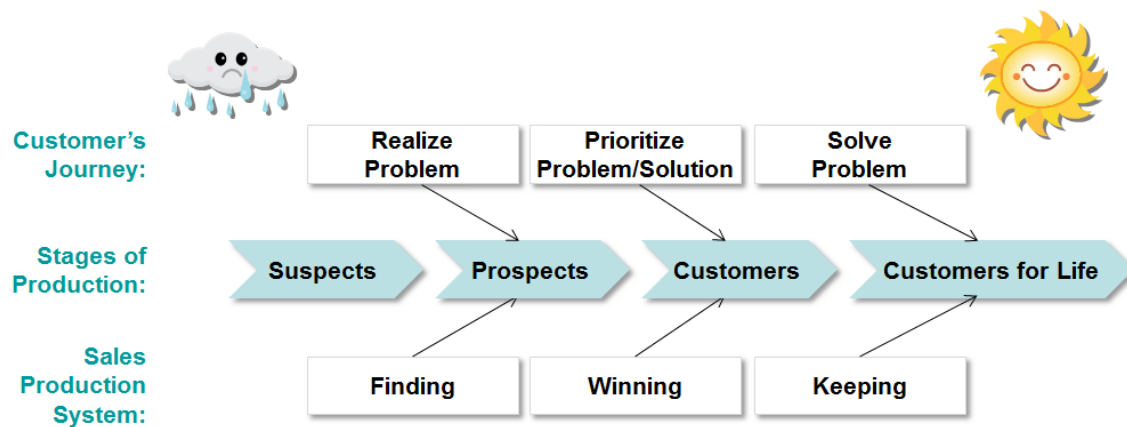
Major Steps in the Sales Process

Like any production process, the sales process has distinct steps. The major steps in the sales process are finding, winning and keeping customers (see Figure 1).

Figure 1

Sales is a Process for Producing Customers

Simple Enterprise View of Sales System

	Customer's Journey	Stages of Production	Sales Production System

"The sales process *is not just what the sales person does*. It is the enterprise level production system."

What you need to know: Customers view you as a single entity. Therefore, your organization must be managed as a system. Managing marketing, selling and servicing as independent functions *creates waste, and makes selling harder*.

In general, the broadly defined activities of finding, winning and keeping customers are the responsibilities of the marketing, sales and service functions, respectively. There is significant overlap among these activities in various industries, but in general marketing finds, sales wins, and service keeps customers. Managing these as an integrated system rather than as independent functions reduces waste and makes selling easier for your company and for your customers. It also enables you to identify cases of suboptimization, such as when the marketing department

proudly hands over boxes of "leads" from a trade show. (This paper focuses primarily on sales and marketing rather than services.)

Accepting (even provisionally) the idea that sales is a process is the first step in applying process thinking to sales. With that step completed, let's focus on customers and how a sales process creates value for them.

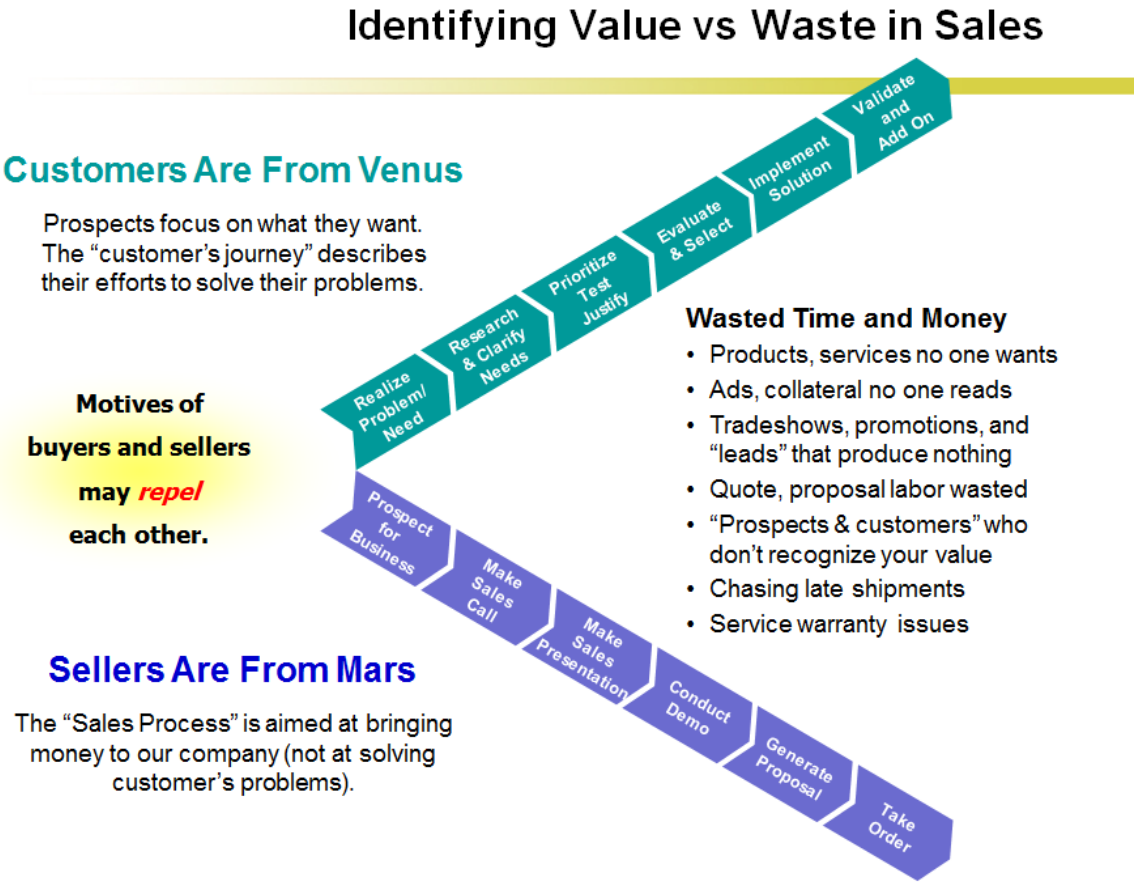**Questions for Consideration**

- Does your organization currently have a well-defined sales process?

- Are marketing, and sales managed as a process with coordinated goals, or in separate silos? (What about customer service?)

- How does your organization currently allocate marketing and sales resources to potential customers?

- How do you currently identify and execute changes in marketing and sales?

Chapter 2
Applying Process Thinking to
Marketing and Sales

From senior management's perspective, a major benefit of managing sales as a process is far greater visibility into sales and greatly improved ability to manage it. Even in well-managed companies, sales is usually viewed as a black box and rarely managed with the same rigor as production, distribution or finance. The rationale is that sales is different because it consists of communications, relationship building and other activities aimed at influencing behavior.

Figure 2:

The Customer's Journey vs. the Sales Process

Identifying Value vs Waste in Sales

Customers Are From Venus

Prospects focus on what they want. The "customer's journey" describes their efforts to solve their problems.

Validate and Add On
Implement Solution
Evaluate & Select
Prioritize Test Justify
Research & Clarify Needs
Realize Problem/ Need

Motives of buyers and sellers may *repel* each other.

Wasted Time and Money
- Products, services no one wants
- Ads, collateral no one reads
- Tradeshows, promotions, and "leads" that produce nothing
- Quote, proposal labor wasted
- "Prospects & customers" who don't recognize your value
- Chasing late shipments
- Service warranty issues

Prospect for Business
Make Sales Call
Make Sales Presentation
Conduct Demo
Generate Proposal
Take Order

Sellers Are From Mars

The "Sales Process" is aimed at bringing money to our company (not at solving customer's problems).

But once you view sales as a process, that reasoning recedes. Sales *is* different, but it can and should be managed as a process, if only to maximize the value that sales delivers to the customer. Lean thinking dictates that each activity in the sales process should create value for the customer.

Increase the chances for value creation by comparing your sales process to the Customer's Journey. The Customer's Journey is the predictable path—or stages—that your customers travel from being prospects who need your product or service to becoming customers (it also covers the transition from buying only small amounts of your product or service to much larger amounts). Figure 2 shows how buyers' and sellers' motives can actually work at cross-purposes.

Customers may not realize they have a problem, and may not believe that solving it is a priority for their organization. Or they may understand the problem but not know how to consider potential solutions. They may even be considering solutions and not realize that your product or service is among them. In other words, customers may be at any stage of their transformation. Regardless of the stage, your sales process should help them move toward the next one.

In many organizations—despite the best intentions—salespeople are basically sent out to push product and bring back the money. As a brief test, ask yourself this question: Do I express as much interest in *how* sales achieves its goals as I do in *whether* sales achieves its goals?—and answer it honestly.

If you answered "No," you are not managing sales as a process. Further, if you and your sales teams have not at least investigated and defined your Customer's Journey, you might be in for some surprises.

CALL OUT:

As a senior executive, ask yourself, "Do I express as much interest

in *how* sales achieves its goals as I do in *whether* sales achieves its goals?

Move toward managing sales as a process by considering the following questions.

- What makes your customers realize they have the kind of problem your products and services solve?

- What causes them to make it a strategic objective?

- Who else in their company needs to be involved? What must happen before they can take steps to solve it?

- What factors and alternatives should they consider before making a decision?

- How do they now make the purchase decision?

These questions help you understand the Customer's Journey and help you identify marketing and sales activities that would assist your customers on their journey. *Those are the marketing and sales activities that add value.* Other activities may be generating waste.

Lean thinking holds that value in a product is what customers will pay for. In sales, value is what customers pay for with their attention, time, cooperation and commitment. If you are not getting enough of these from your prospects, improve your sales process by giving customers what they want and need on their journey.

Questions for Consideration

- What data do we have around our Customer's Journey? How can we learn more?

- What role do our market channels serve in the Customer's Journey? How uniform is it across our market segments and locations? How do we know this?

- What is our operating definition[2] of a good customer? Does the Customer's Journey for a good customer differ from that of a mediocre one?

- What problems are our customers trying to solve? How do we know this, and how can we learn more?

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[2] Operating definition: A means of using language precisely by ensuring that people connect the meaning of a term to observable characteristics. If a measurement is generated, the operating definition specifies the procedure for doing so. Operating definitions are crucial in all process improvement approaches.

Chapter 3
How to Really Hear the
Voice of the Customer

Many companies, particularly those using Lean and other process improvement methods, have become genuinely customer-focused. They have dedicated themselves to quality, gathered Voice of the Customer (VOC) data, and created customer councils and other initiatives to bring customers into the company, generally with very good to excellent results. Yet rarely are the sales process and Customer's Journey considered part of those efforts.

As a result, even many customer-focused companies continue to take a "product-out" approach in sales. Push product. Pressure the prospect. Always be closing. Get the money. The stereotypical image (and sometime reality) of the hard-sell salesperson can linger despite consultative selling, partnering with customers and similar approaches, which do not necessarily add value for customers in the sales process.

Unfortunately, in many companies, Lean's "North Star" values (e.g., safety, quality, cost and schedule) can lead to overly simplified assumptions about what the customer values. As a result, many salespeople are trapped in Lean cultures plagued by attitudes around notions such as "lead-time" and "shipping complete" which work against the customer.

As another, more sinister example, one client worked for several years to Lean out and realign a series of production facilities, eliminating some engineers and product managers in the name of reducing overhead. Unfortunately, after a while they began losing key governmental certifications, and having surprise failures in the field. The production department's definition of customer requirements and its understanding of how to meet them was not sufficient to prevent the elimination of the people responsible for maintaining certifications, and protecting the quality system. This had an obvious effect on the ability of sales to meet its targets.

A more nuanced view of what the customer requires – and the means of achieving it – can help prevent critical middle-management engineering and support from being "Leaned" out of existence, with the extent of the damage realized only years later.

This is not to say the sales department's problems can be solved only in the production department. But companies often damage themselves when they define crucial operational terms in self-serving ways rather than clearly identifying and delivering what customers want.

Smart leaders will insist that people identify and improve "Voice of the Customer" in every customer-facing department. This approach views VOC more broadly than is typical in the quality literature, extending it well beyond development of products. Yet VOC actually does apply to any customer-facing function throughout the lifecycle of the customer relationship.

CALL OUT:

Many companies are chagrined to learn they have VOC around the company that no one is using. As the senior executive, ask yourself: Why is this happening, and how can we fix it?

Every company I have ever examined has VOC data that they are not using. Most companies haven't set up mechanisms to systematically discover customer perceptions of value as they interact with them. Best case, some companies conduct VOC surveys annually, and wonder what to do with the findings. In practice this means executives rely on complaints to tell them how things are going. This, however, leads many to believe that if they don't hear any complaints, things are working properly. If they do hear complaints they typically assume that the mechanisms for resolving them are working. This is not a viable path to continuous improvement.

The path to maximizing value for shareholders is to maximize value for the customer: to measure what customers value and then deliver it (at a profit, of course). Management can do that by asking for relevant measurements. You can begin by asking every customer-facing function to detect and compile its own VOC data and to continually improve it. Also, initiate a broader vision of VOC than is typically presented in the literature. Once you take that approach, you are well on your way to embedding value thinking into sales.

Questions to Consider

- How have we used VOC in our quality and process improvement efforts?

- What data do we currently have access to—such as customer compliments and complaints, product returns and warranty claims—but now underutilize?

- Which departments (especially non-sales) might be receptive to piloting a VOC improvement? Which one might produce the quickest, most visible results?

- How might we think about gathering VOC data from marketing and sales?

Chapter 4
Moving From "Product-Out" to
"Customer-In" Approaches

Managing sales as a value-adding process helps to drive a shift from a "product-out" to a "customer-in" culture. Instead of pushing product, the aim becomes pulling customers in, or ideally, having them pull your company into theirs (echoing the Lean concept of pull versus push). A customer-in approach implies greater customer intimacy. As mentioned previously, you use VOC to improve your interactions with customers across all customer-facing touch points, not just to improve your products. You work to increase the total value of the customer relationship rather than trying to extract maximum short-term value from it.

Thinking this way may ignite some exciting possibilities. Ask yourself: "What would cause our customers to be willing to *pay* to talk to our salespeople on the phone or visit their facility?" Whether you decide to do this or not depends on a lot of things, but it is a different and productive way of thinking about the customer.

Waste and value are in the eye of the customer: If your salespeople are so valuable the customer would be willing to pay for them, that is good. If your website serves no purpose for the customer, that is waste. One client realized this in a round-about way: When asked if they tracked anything about incoming calls to the technical services department, the department manager said, "We used to, but we stopped doing it because no one was using the information" (unused VOC strikes again!). Once the data was extracted from the archives, it revealed that more than half the calls were from people asking where they could find a cut sheet (product specification) on a given part number, or who their distributor was – information they could not find on the company's website. If the website could be made to fully serve this customer need, fully half of the resources of the technical services staff could have been applied to more productive work!

CALL OUT:

"Learning to see" waste in sales might be even *more* important

than "learning to see" waste in production manufacturing,

because the down-stream effects are so expensive.

Approaches like researching the Customer's Journey and identifying their real (and imagined) challenges can generate greater trust and increased knowledge of customers' strategic goals and needs. This increases your company's ability to meet and anticipate those needs and to improve your customers' competitiveness. Competitive advantage accrues to your company because you not only build stronger relationships in the usual sense, but become integrated into your customers' strategic plans, innovation initiatives and ongoing operations. In some industries, this erects barriers to competitors who compete on price or novelty.

A customer-in versus product-out approach removes barriers to sales because you focus on your more desirable customers and on optimizing your services, within the scope of your corporate mission and product and service line. It can also point to deeper issues in the way your company operates.

It also involves experimenting and learning from what customers respond to, rather than labeling experiments as failures. A process-based approach continually seeks data on what works and what doesn't—all essential to continual improvement of the sales process.

Questions to Consider

- To what extent does our organization take a "product-out" rather than "customer-in" approach to sales?

- What are the positive and negative effects of our approach?

- What benefits might we realize by moving toward a customer-in approach?

Chapter 5
The Usual Fixes for Sales Problems
and Why They Fail

As economic challenges continue and the economy becomes more global, success depends on the ability to change faster and more effectively than competitors. This requires an understanding of shifting customer needs and behaviors, and what customers are responding to vis-à-vis your company and the marketplace.

If sales are not managed as a process, the process cannot be changed to rapidly address the true needs of the customer. Your organization will resist change unless it can *learn from the customer* by understanding cause and effect within the sales process and then changing the sales process accordingly.

CALL OUT:

The usual fixes for sales problems usually fail because the actual

problem—and its cause—is rarely understood, or even identified.

Without understanding the chain of cause and effect between your sales activities and customers' actions, you have a limited inventory of solutions to business challenges. I call these "the usual fixes" because they are so prevalent and because they usually fail to generate lasting improvement.

The usual fixes include:

- Replacing the sales manager or salespeople

- Trying a new type of sales training

- Launching a new lead-generation program in marketing

- Installing or upgrading customer relationship management (CRM) or sales force automation (SFA) software

- Changing the incentive plan or holding a sales contest

- Reassigning accounts or redrawing sales territories

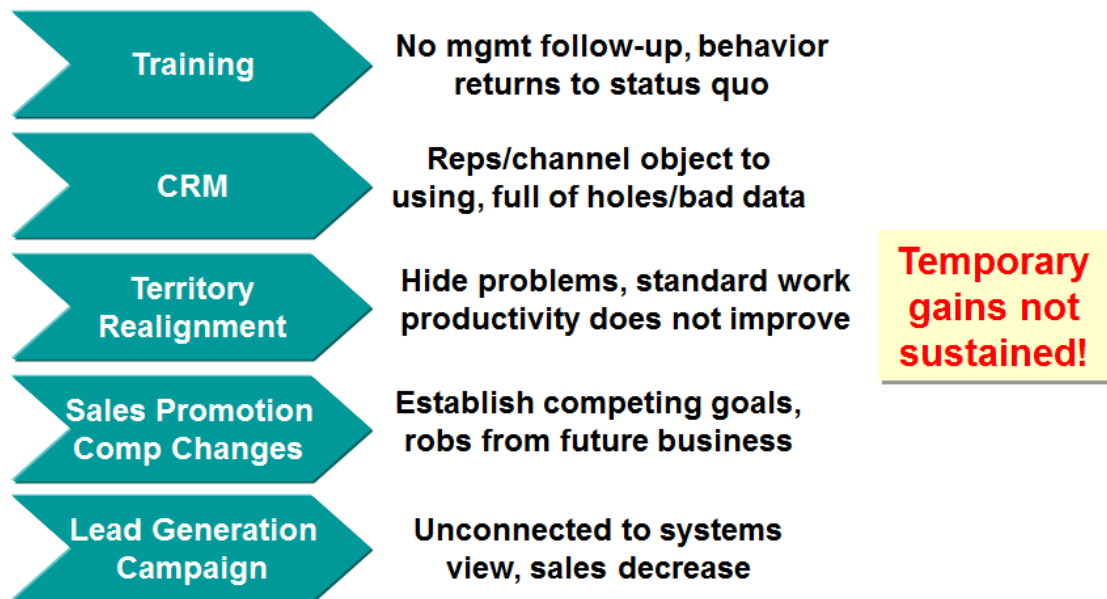- Hiring a new ad agency to tweak the brand image

Because the root causes of sales problems have not been identified, these fixes are usually implemented based on assumptions rather than facts. (In fact, many CRM systems actually mask data-driven feedback on conversion data in favor of someone's arbitrary idea of "percent chance of closing." That is simply ridiculous.)

Another view of the failure modes of common fixes is shown in Figure 3.

Figure 3:

Another View of Failure Modes of Common Fixes

Failure Modes of Common Fixes

Fix	Failure Mode
Training	No mgmt follow-up, behavior returns to status quo
CRM	Reps/channel object to using, full of holes/bad data
Territory Realignment	Hide problems, standard work productivity does not improve
Sales Promotion Comp Changes	Establish competing goals, robs from future business
Lead Generation Campaign	Unconnected to systems view, sales decrease

Temporary gains not sustained!

I'm not saying the usual fixes are always wrong. I'm saying they can't represent genuine solutions unless three things are true:

1. The sales organization has agreed on operating definitions around its primary terms of production, such as leads, qualified opportunities, customers, etc. (meaning they can be traced to observable characteristics).
2. The data gathered from sales operations demonstrates numerically the likely bottlenecks and causes of problems.
3. The fix directly addresses causes.

This is rarely the case because sales is rarely managed as a process, which would deliver data usable in cause-and-effect analysis.

In addition, the usual fixes do little to address the most common barriers to higher sales performance. These barriers include poorly conceived value propositions, lack of operating definitions for key variables (such as "lead," "qualified prospect" and "customer"), administrative tasks assigned to salespeople, problems in customer training or service, marketing initiatives unconnected to sales efforts, and misaligned incentive programs. These problems can be identified, analyzed and addressed when management approaches marketing, sales, and service as a process—and sets the usual fixes aside.

Questions to Consider

- How many of the usual fixes have we tried in the past two to four years?

- How did we decide to implement each fix?

- How have they added value for customers or improved the Customer's Journey?

- How have they made selling easier, more efficient or more effective?

- What desirable or undesirable results have been achieved by these attempts at improvement?

Chapter 6
Embedding Value Thinking
in Your Sales Process

Even companies that have committed to quality in manufacturing have rarely applied the underlying thinking—call it process thinking or value thinking—to sales. Learning what customers value in their products has led them to view non-value-adding production activities as waste, and to eliminate or minimize them. Yet that kind of value thinking has not generally been applied to sales. I have talked to senior manufacturing executives who seem completely unaware that sales work itself, creates tremendous value for customers. One challenge is that most process professionals do not understand what standard work looks like in sales. And why should they? In most companies it has yet to be developed!

Sales can be a powerful channel for understanding what the customer wants from your company, and also for shaping the organization to deliver that value. Companies understand this when it comes to their products and services, but they exclude sales from that concept.

Let's Start with Measurement

Extending value thinking to sales starts with definitions and measurements. Lack of respectful, agreed-upon definitions of things like "a good lead," "a desirable customer" and "a productive sales call" causes real problems in sales. It also makes it impossible to measure your sales function as a process—that is, with an understanding of the relationship between the activity, the value it is supposed to create, and whether or not it succeeded. Under those circumstances, you cannot understand cause and effect, and thus cannot reliably improve it.

You can also wind up holding people accountable for things they cannot control. When you do that, they tend to distort the numbers or the process to protect themselves, for example by booking revenue into an earlier or later sales period, depending on what management seems to want. Ironically, you can also wind up unable to hold people accountable for what they *can* control. For example, some salespeople include all possible deals in their monthly sales reports so they look busy and get credit for all that work. At best, this generates waste and distorts sales statistics, until the sales manager understands what's going on—if that occurs.

Measurement shows which activities are productive or unproductive in the sales process. To get at cause and effect you conduct cause-and-effect analysis. For example, the Five Whys technique—asking "Why?" until you get to the root cause—can be effective. "Why was our timing off in that presentation?" "Why did we learn this important thing about the prospect too late in their buying process?" "Why aren't we identifying prospects earlier in their buying process?" "Why aren't they finding our Website?" and so on.

Lessons From Your Mailbox — And on the Internet

The world of direct response marketing has much to teach all sales functions. Direct response marketers are masters at understanding what prospects respond to, because they obsessively test messages, prices, timing… even paper color. They don't do this to keep the post office in business, they do it to increase response rates. The Internet enables much of the same type of testing, measurement and analysis.

Similarly, first-rate salespeople have deep insight into their prospects' thoughts and feelings. They can help a prospect feel comfortable, pay attention and have confidence. They do their homework so they recognize the prospect's business and personal context and can guide prospects to understand their business issues and appropriate solutions.

CALL OUT:

The value created by production manufacturing is observable in the product.

The value created by marketing and sales is observable in the actions customers take.

If you are not observing it, you should be.

Everything your company does should generate value for the customer—with value defined as initiating appropriate action. Good sales process design requires you to embed value thinking in your sales process. If prospects and customers don't respond at an acceptable level, you need to either improve or stop, because it is generating waste.

You want to measure their responses in the form of their attention, time, information, cooperation and commitment. Every activity in the sales process that aims to create value for the customer should measure that value by measuring the prospect's response. At your Website, on

the phone, after a sales call, the questions should be: Did we get their attention? Did they spend time with us? Did they ask for information? Did they give us information? Did they agree to the next step? And their responses should be measured and recorded. With that information you can constantly improve the value that your sales process delivers to prospects and customers.

Questions to Consider

- What measures currently exist around our marketing and sales operations? What, if anything, do they tell us about what needs to be improved?

- What improvements have we made in recent years? What measurements tell us what was actually improved?

- Have our improvements actually been sustained, or have they deteriorated? Why does this happen?

- Who within our organization has the best insights to how and why customers buy? How do we know this?

- How do we currently make changes to the way our marketing and sales works?

- How effective have our changes and improvements been for us?

Chapter 7
How Sales Process Improvement Works
(Part One)

Our experience has been that *when salespeople are properly approached* they are extremely receptive to process-oriented approaches. Yet getting there takes work. The sales organization—meaning the individuals within it—need reasons to change, and must agree (at some level) with the changes proposed.

Getting people to appreciate the value of, say, standard work well enough to manage themselves by it calls for specific types of conversations best conducted by expert third-parties. That's because the change calls for specific expertise and facilitated collaboration, much of it between functions or departments usually managed as silos. The good news is that, once accepted, process improvement fosters predictable stages of improved organizational capability and maturity, which becomes self-sustaining. In production manufacturing, this is known as "the Lean Journey."

Marketing and sales also has a version of the Lean Journey, and this journey starts with getting marketing and sales people to communicate in more productive ways. The following three sections present concepts that promote such communication:

Undesirable Results (UDRs)

Everyone may agree that improvement is needed, but rarely about where to begin. Often executives feel "the problem is our salespeople need training" (or substitute any one of the usual fixes here). At that point, they have speculated about a solution instead of the source of the problem, with no supporting evidence. Under those circumstances, you cannot gain agreement regarding the need for the solution.

A more useful approach would start with, "What can we agree on?"

That is the role of the Undesirable Result (or UDR. The operating definition of UDR is, "A condition or outcome for which we have evidence and data and which we do not like.

Marketing and sales teams become quite engaged around this concept. For example:

"Our salespeople are spending time on the wrong accounts" is a UDR. After discussing questions such as "Is this observable?", "Is this measurable?" and "What, exactly, are 'wrong accounts'?" a small team will generally agree on a fairly useful statement of what they mean, such as, "Our salespeople do not use the same standards in prioritizing where they should spend time in their accounts."

Now the team is getting somewhere. By means of UDRs they can identify the pain points in sales and begin to agree on the source of the pain. *Then* they become more receptive to process improvement.

The Three Voices

UDRs typically fall into three categories:

- **Voice of the Business (VOB)**
  (Financial indicators, the What's In It For Me (WIIFM) for owners)
- **Voice of the Customer (VOC)**
  (WIIFM for the customer)
- **Voice of the Process (VOP)**
  (WIIFMs for salespeople, marketers, etc.)

This observation helps to verify the importance of the problem to the business, and ensures your efforts to solve it are important to the organization. Often a company has lots of VOB UDRs, or even lots of VOP UDRs, yet relatively little VOC. This may indicate that the root cause of the problem may lie in VOC.

Using the three voices generates a balanced field of UDRs and enriches people's view and understanding of their problems.

Causality

Getting the team to identify and work out the UDRs is the basic foundation of a process approach—the first round of evidence and insights about potential causes and effects. It enables identification of data that may exist or could be gathered to confirm or contradict the various theories about potential root causes.

Discussing and clarifying UDRs by means of cause-and-effect trees and fishbone diagrams helps people to see their issues in a new light, elevating a team's understanding of its situation and of potential root causes.

CALL OUT:

Your business process is perfectly designed

to produce the results you are now experiencing.

Here is a simplified example of a common occurrence. A marketing and sales organization goes through years of frustration with little or no improvement. They may spend huge amounts of time looking up basic information about customers and their status, orders and problems. This "lack of information" problem seems pervasive and people become convinced that something like a CRM system is an absolute prerequisite for improvement. Yet after working on UDRs, they begin to realize that the root causes seem to be things like "We have no means of identifying what customers really want," and "We have no means of determining (or measuring) what works or doesn't in the field." They begin asking "Why don't we have these things?"

The answer, in many cases, is "We've always made our numbers without these things, so we didn't know we needed them. Management didn't know it was necessary, or even possible."

Now, if management doesn't realize the need for managing things differently – indeed, *doing things differently* – in the field, if it expects to continue with business as usual, what good would a CRM – or *any* traditional fix do? None. They would be adding a complex and expensive layer of process that was not designed to solve their problems, because they had not defined their problems in the first place.

Thus, cause-and-effect analysis brings leaders—and the rest of the organization—to realizations that are essential in bringing about real change and improvement.

Questions to Consider
- What UDRs are you aware of around your marketing and sales operations? Would others have the same or differing views?

- If there are different views about the organization's UDRs (for example, between the field organization and home office), how might those views be reconciled? What could be learned from the differences?

- What sources within the organization might be useful for developing VOB and VOP data? How might we go about gathering and organizing it and relating it to VOC?

The first glimmers of potential improvement usually occur in these early discussions of UDRs and potential root causes. These conversations help people figure out why they need to change, and where they should begin. Gaining what we call *respectful agreement* regarding UDRs—and other operational definitions—and around their potential root causes sets the stage for process improvement. People realize they have been talking past each other, and that denial and blame won't make things better. They realize the need for cooperation.

Attention can then turn to developing some form of standard work: a set of shared knowledge and respectful agreements regarding how work will be performed to achieve a specified objective. This is also the beginning of serious data collection, and therefore creates a base for learning. Next comes the realization that they are going to have to adopt a problem-solving approach if they are to improve performance. This realization is the first victory along the improvement journey.

Standard Work in Sales and Marketing

In large B2B organizations, no single individual possesses the one best method of creating customers from beginning to end. Some salespeople may excel at prospecting for new accounts, others at closing deals or growing accounts. A single sales engineer may be much better than others at optimizing technical configurations so proposals are more likely to close. Yet nowhere does all this knowledge get collected, organized and applied for the benefit of everyone—including the customer. Hence the need for "standard work."

You might think salespeople are not oriented toward standard work, yet that's not necessarily true. Put experienced salespeople in the hands of an experienced facilitator to create an operational definition of, say, a qualified prospect, and you'll be amazed at the analytical energy—and creativity—that will be generated. Such operational definitions are the first step toward defining shared knowledge about the best way of doing the work or accomplishing the goal.

Although this shared knowledge is essential to a process approach, most companies fail to develop it, for two reasons:

First, they fail to define the work in ways that are useful to the salesperson. They presume that a "process expert" such as a CRM systems analyst, a sales trainer or a sales executive knows the best way to design the process for salespeople to use. This doesn't work because salespeople *must play a primary role in developing or defining the process they will use*.

Second, people assume the process is static, to be defined or established once and then always used going forward. Instead, management uses the process to help salespeople learn how to improve their performance and process, using measures of their activities and results. Sales is an art that must be *practiced*. Good sales management helps salespeople create a process/plan and then execute it with gusto while gathering the necessary data, checking their work to verify the outcomes, and acting on what they have learned to create a better process or plan. In other words, good sales management uses the Deming management cycle: Plan, Do, Check, Act (PDCA).

A simple formula for process improvement goes like this:

Continuous Improvement = Standard Work + PDCA

If people can attain respectful agreement around standard work and perform that work in a cyclical manner, making small improvements guided by data and feedback on the standard work and its results, they cannot help but improve.

Referring to the above formula, attempt to create standard work without attempts to improve it, that is, without PDCA, and usually:

- Motivation is killed, creativity wasted
- Problems repeat—unidentified, unsolved, unabated
- People don't take the initiative, improvement stops
- Sales operations gradually decline, requiring more and more resources

Attempt to improve results without standardized work and usually you will see:

- Patterns of chaotic change, the saw-tooth effect of progress and regress

- Problems repeating, improvements not followed, no root cause analysis

- Lack of measures to gauge a baseline and points of progress

- Lack of systemic improvement as people work largely on their own in "craft" mode

Of course, Lean production requires making this work visible, with visible boards supporting daily or weekly meetings to Check, Act, and Plan, etc. This is not as straightforward in sales, where people may be scattered all over the country (or even the world). Yet, it can be handled (often with non-intrusive software properly designed for the purpose.) Get sales teams engaged in the development of their *own* sales process, with sales managers involved in the ongoing effort to establish   a truly valuable organizational capability—a sales function that continually improves.

Questions to Consider

- What management method do our sales managers currently use?

- What examples of standard work in sales do we have in the organization that we could build upon?

- Where else in the organization has standard work plus PDCA shown success? Why (or why not) was this successful?

Chapter 9
If You Use Sales Channels or Outsource Sales

A process approach to sales can assist senior management in deciding whether to use external sales channels or to outsource sales, how to design the optimum channel relationship, how to analyze and compare channels' or vendors' sales process, and what to negotiate and stipulate in agreements and contracts. Only by understanding the value that various channels or vendors are adding—for your customers and for your company (and for themselves)—can you understand the economics of the arrangement. When you understand that, you can also understand how margins should be managed, what represents a fair and competitive commission or fee structure, and what value you may be putting at risk.

Using third-party sales channels (and outsourcing customer service) can indeed present risks as well as opportunities, both of which you must consider. To do that you must understand the channels' or vendors' sales process. This is also the case in industries characterized by wholesalers, distributors, independent representatives, or other channels.

When you know what your customers require during their journey, you can gauge the extent to which a channel can and cannot provide the value that your customers require from sales. In a sense, a properly designed sales process enables you to put five cents in and get ten cents out. If you "package" a process that works in simple and compelling ways, and prove your value to potential channel partners, you can have more useful conversations with potential partners and craft a more mutually rewarding relationship. Some channels will be better at providing some forms of value than others, and most will need varying forms of support from your organization. Approached properly, this can be turned from an art form or a crap shoot into a predictable business model.

Guidelines for Dealing with Channels

When using channel partners or outsourced service vendors, you may find it useful to:

- Describe your sales process to potential sales channels and have them explain their process to you and then gauge the compatibility between your process and theirs; then, do what you can to make it easier for the sales channel to sell your products.

- Evaluate channel partners on sales process metrics, not just sales figures, and assess their sales productivity as well as results.

- Write reporting of sales process metrics (e.g., VOC, prospects opting out of the process, etc.) into your contracts and service level agreements to increase visibility into the market.

- Use process improvement perspectives and goals when you outsource *any* aspect of service, whether it is call-center activities, warranty claims processing or other activities.

A process approach to sales can form the basis of high-quality, continually improving, long-term relationships with channel partners. By the same token, a sales process approach may lead you to conclude that your organization could create and capture more value in your customer relationships by keeping (or bringing) sales or service in-house.

CALL OUT:

Evaluate your sales channel partners from a sales process perspective
to understand the value they can create for your customers.

Questions to Consider

- What is our typical relationship with channel partners? Is it contentious and adversarial, or trustful and sharing? Why?

- What is the most valuable thing channel partners could provide to us? What is the most valuable thing we could provide to them?

- If we have only a small share of our channel partner's business, how could we stand out more? How do we know this?

- Have we used the same standards to assess and prioritize our channel partners over time? Or have we used different standards to prioritize them? Why?

Chapter 10
Case Example: $600 Million Collision Repair
Products Division of Global Chemical Company

Background: A global chemical company had successfully applied process improvement to all major areas of production operations, but had never attempted to apply it to a sales operation.

Presenting Problem: A division suffered from flat revenues and declining market share. New competitors were gaining ground. The general manager of this division had seen process improvement work in production, and decided to try the approach in sales. He requested external assistance, and explained how and why he thought the consultant could help.

Research: The consultant studied the history and background of the sales organization and management's desire for a turnaround. He charted key data, and interviewed key managers using data as the basis for questions. After a study of the U.S. market relative to other regions, only the U.S. market was targeted.

Preparation to improve: The consultant formed a core team of five regional managers, and an additional facilitator from marketing who had excellent data analysis skills. The team canvassed all regions for best sales practices and potential standard work, relating practices to local market conditions. UDRs were identified and sorted out.

Root Cause Analysis: The team discovered that the sales methodology for sophisticated auto dealers and mega dealers was disorganized, inconsistent and ineffective. Could they develop standard work? The team had to decide whether a common sales process could work.

Countermeasure: The team researched the customer to identify common buying processes and decision points. They redesigned and deployed standard work in each stage of the sales process for all U.S. regions. In order to do this, they blocked out a format of before/during/after the sale (similar to Find, Win, Keep), and chose the level of detail for PDCA (about five steps per block). They brought in senior sales professionals to populate the process blocks with holistic steps and organized all the steps into one common set and flow. The result? A homegrown starter sales process.

Test Standard Work: They tested for "most difficult sale" capability—would the process handle it? They reviewed the rough design with senior sponsors and marketing, then improved it. Other steps included collecting field data on UDRs using the new process, constructing a grid with the addition of distributor and jobber roles, adding sub-steps and tools, and overlaying the PDCA management system. After a review of the data from earlier interviews, they fixed the things that salespeople all hated, and made the fixes part of the new process.

Deploy Standard Work: They designed the deployment plan (three-pronged six-week roll-out with three coaches, one the director of sales). They redesigned the sales training curriculum for the new process and the sales compensation plan to support sharing of best practices. They also appointed and deployed a five-person PDCA national improvement team.

Improve: The first PDCA cycle took 30 days, and the first process revisions were done in 90 days. The team revised the sales strategic planning meetings to be driven off of sales process data. After several months, the data began showing the existence of common, high-impact issues and bottlenecks preventing salespeople from making their objectives. An example of this was the manual (and inconsistent) preparation of proposals in local markets. Another example was the process of demonstrating the company's product. It was expensive to conduct Demos and they did not consistently produce the desired sales result. These and other problems were prioritized, and each was systematically tackled and solved.

Results: First-year sales after implementation grew by over $40 million. In the next two years, the division came to dominate the U.S. market and achieved its five-year objective of becoming a $1 billion revenue contributor—one year early. They documented the project for future reference and showcased the method and results across the division, which received an Innovation Award and significant bonus checks. Distributors who could not adjust or keep up were discontinued.

Conclusion
The Leadership Imperative

Virtually every company known for having dramatically improved the quality of their products is also known for their senior executives' commitment to those efforts. A similar commitment is necessary to bring process improvement to sales.

Yet that can be particularly challenging. First, sales brings in the money, the company's lifeblood, and tinkering with that process is risky. Second, salespeople are not used to thinking in terms of process and quality. Third, sales managers believe that they already know their jobs and are measuring their activities and that they mainly need more resources. Finally, many senior executives have finance, or marketing and sales backgrounds (rather than engineering or process excellence backgrounds) and may view sales like sales managers or prefer the usual fixes.

That said, senior executives are ultimately responsible for developing the business processes that enable managers and employees to generate the results they must generate to achieve the organization's goals. In sales, this means defining the roles of marketing, sales and service and managing the performance of the people in those roles.

Your company's ability to detect what customers want and then change to meet their ever-evolving demands represents your only permanent competitive advantage. Your sales process represents not only a key listening post in detecting needed changes, but also the vehicle for making them.

Starting the Journey

Here are steps you can take to begin to understand and improve your organization's sales process:

- Demonstrate the importance of learning what customers want and acting on it. Employees need to see senior managers publicly treasuring the instances when any customer-facing department—not just marketing and sales—improves its ability to deliver specific value in the Customer's Journey. Also, learn what your competitors are doing to deliver that value.

- Establish key performance indicators on customer actions and reactions. This encourages functions to align their targets and to work on the activities that add the most value.

- Expect every function to constantly improve its productivity and performance—using data traceable to observable evidence. Meeting this expectation can create demand for quality improvement methods.

- Ask your process excellence people for their perspectives on improving VOC and the flow of the Customer's Journey. Ask them to explain the implications of systems thinking applied to a system that produces a stream of happy customers instead of high-quality products.

- As a training exercise, if you don't have process training in your background, consider getting some assistance in applying process excellence to a short-term project of your own.

- Understand your organization's current level of sophistication and readiness for sales process improvement. Rather than trying to implement large-scale projects, seek opportunities for incremental improvement.

- Engage external expertise to assess your organization's current process and to help accelerate your sales process improvement efforts.

Above all, understand that you as a senior executive determine what marketing and sales people focus on, how they think about customers, and where they put their energy. You exert this influence in the way you talk about customers, in the questions you ask, and in the compensation structure you approve, the commitment you show to long-term versus short-term growth, the type of people you hire, and the things for which you hold people accountable.

CALL OUT:

Quality is as much a leadership issue in marketing and sales

as it is in production and operations. What are you doing to lead this crucial initiative?

Continuous improvement of business performance is a leadership imperative. Motivating your executives to use data collection and quality improvement is also a leadership imperative. Whether your industry is struggling with a depressed economy, currency values or uneven demand, you cannot tolerate ignorance of customer needs or wasteful marketing and sales

practices. In addition, technological developments are creating huge opportunities for companies attuned to them, as well as pitfalls for those unable or unwilling to take advantage of them.

Extending process excellence to marketing and sales is the most effective way of generating high sales performance and productivity in your organization. If you have recognized the value of Lean approaches in your production operations, you owe it to your organization—and to your customers and other stakeholders—to improve the quality of your sales process.

Next Steps to Consider

- Suggest that your sales executives order and read *Find, Win, and Keep More of The Right Customers While Making Sales Easier*, the companion volume written specifically for sales managers.
- Suggest that your head of quality improvement or process excellence order and read *How to Bring the Power of Lean Process Excellence to Sales and Marketing*, the companion volume written specifically for them.
- Visit salesperformance.com for additional resources in the free Members Area, such as assessments around your organization's readiness for the Lean Journey in marketing and sales.
- Contact SPC to see how we can help your team with this important objective. Please include:
  - Your sales organization's size, market geography and industry
  - Specific UDRs and challenges you are facing
  - What attempts you have made to overcome those challenges
  - What you would like SPC to do for you

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About Michael J. Webb

In 2002, after a lengthy career in field sales, sales management and sales training, Michael Webb founded Sales Performance Consultants to create a data-driven alternative to the slogans and shallow impact offered by typical sales training, sales consulting and CRM companies. Michael helped organize the first conferences on applying Six Sigma to marketing and sales, and is the author of "Sales and Marketing the Six Sigma Way" (Kaplan, 2006, 4.5 stars on Amazon) and numerous articles on how B2B sales organizations can benefit from Lean and process improvement techniques.

He holds professional certifications in production and inventory management, quality management, and has a BS in Mathematics from Southeast Missouri State University.

About Sales Performance Consultants, Inc.

Founded in 2002, Sales Performance Consultants, Inc. helps the sales organizations of B2B companies improve their processes for finding, winning and keeping customers. SPC's proprietary methods address the challenges of selling in global markets, managing dispersed sales teams and working effectively with channel partners and in complex distribution systems.

SPC has helped divisions of Pentair, Tyco, DuPont, Thermo Fisher Scientific, and dozens of other companies make their sales funnel flow faster by enabling them to identify and deliver more customer value, while reducing bottlenecks, waste, cost of sales, and time to market.