

# What is Operational Excellence in Sales and Marketing?

By Michael J. Webb (with Robert Ferguson)

A reader from Microsoft recently asked me an interesting question:

- What are the key parameters which define Operational Excellence in a sales and marketing organization?

I like the question, because Operational Excellence isn't just a slogan or a matter of opinion. It is a fact that businesses that achieve Operational Excellence produce the most consistent growth and profit performance *in the long run*.

Operational Excellence is the result of applying the scientific method to achieve the goal of a business (which, as Goldratt said, is to make money now and in the future). The scientific method gave rise to the seven quality tools and the Lean and Six Sigma tool sets (among others), which enable people to measure facts so they can understand causes and effects. Armed with these insights, people can cause their companies to steadily improve quality and yields while reducing waste and cycle time.

Ask production managers how their business is going, and they'll be able to provide projections based on carefully defined measurements of facts. They'll be able to translate their figures from operational into financial terms in the blink of an eye. And their answers will turn out to be mostly correct in the end.

Ask sales and marketing managers how things are going, and they'll typically say "Great!" If they're lucky, they'll be able to point to a big customer order that recently landed and to say "We're ahead of plan!" However, their projections usually don't turn out to be correct in the end.

## **Does the Emperor Have Any Clothes?**

Sorry, but I have to be "in your face" about this. Most corporations have a pretty poor idea about what is really going on in sales and marketing. Of course, marketers and sellers (and company presidents) desperately need to know what is going on. They track their "results" like a pride of lions track straggling cattle on the African Sahara. Often these are some of the smartest people in the company, but they really don't know what is going on.

That's because they haven't built the means necessary for them to know. Want proof? See how well your people can answer any of these four questions:

- **Do you really know what a lead is?**  
This one is so easy, you've probably tried it before: Ask a couple of people in the sales department how they define the term "lead." Now go ask a couple of people in the marketing department the same question. Chances are, their answers won't even be close. You've just identified a gigantic hole in your company's bucket. This is a fixable problem, don't you think? Until it is fixed, marketing will continue to generate more of what sales doesn't want while leaking profits uncontrollably.
- **Do you know which deals on the sales forecast will close?**  
The accuracy of most field sales forecasts is miserable. The cost of this problem ripples like a tidal wave throughout the company. Yet, this is quite a fixable problem. With help, your sales team can build and validate a short-medium term sales forecast instrument that is accurate 90% of the time. Forecast accuracy can be gotten under control and systematically improved. Otherwise, it's another big leak in the bucket.
- **Do you know which process improvements are working?**  
Get the data for the number of orders or the revenue by time period over the past two years. Does the data demonstrate a shift in the mean of the process yield as a result of attacking a root cause? You do have a program in place for knocking out the most important reasons for lost deals, don't you? Fail this one, and, well, how many holes are in your bucket now?
- **Do many of your corporate initiatives fail to achieve their goals?**  
How many of your product launches, promotional campaigns, lead generation efforts, and other initiatives have failed to achieve their goals? Most companies live with this chronic problem. Yet it is hard evidence that someone doesn't know what they need to know about what works out in the field with real customers.

How did you do? On any of these questions?

Didn't think so.

Now, go over to your VP of manufacturing's office and ask him/her some similar questions (tell him/her to be patient and that laughing at you isn't fair):

- How do you get people in the purchasing department and the production department to have the same definition of the term "raw material?"
- How do you manage to continuously improve the accuracy of your production forecast?
- Could you tell me about some process changes that have shifted the mean in your production yields over the past two years?
- How many of your production initiatives or projects actually fail to achieve their goals?

See the difference?

### **It's Not Your Fault, but It Is Time to Grow Up**

As I said previously, marketers and sellers (and company presidents) are often among the smartest and hardest working people in the company. The fact that they don't understand what Operational Excellence means in sales and marketing is not their fault.

At one time, manufacturing executives didn't understand those things either. Thanks to the efforts of geniuses like Shewhart, Deming, Taguchi, Ohno, and others, they realized they needed to make their work more visible so it could be measured and analyzed—and improved.

By trying to “see” inside their manufacturing processes, diligent manufacturing executives and engineers created a market for improved sensors and control systems and production management systems. Now the inside workings of molds, extruders, and production equipment of all types are taken for granted. So is measuring the conversion of raw material to work in- process and finished goods, making it possible to translate operational measures into financial ones.

What does Operational Excellence look like in sales and marketing? Here are some prerequisites for being able to achieve it:

- **Value = actions by the customer.**  
Recognize that marketing, selling, and servicing exist to serve the customer. The value created (for the customer and for your own company) is measured by the customer's responses to your actions (headlines, offers, requests, proposals, etc.). Actions without customer response = waste.
- **Banish the functional mindset. Replace it with systems thinking.**  
Your customer wants to get the results you promised. Their relationship is with your company as a whole, not the marketing department, salesperson, or service representative. Those functions are interdependent—they must be managed as a system. Optimizing one function at the expense of another causes your company to fail its promise to the customer. Period.
- **Make actions and results visible.**  
Language is a tool for dealing with the facts of reality. Every word, concept, and generalization should be traceable to the specific facts and characteristics that give rise to them. Creating operational definitions is a critical step, especially for the stages of production (such terms as “leads” and “qualified opportunities”). Don't allow “floating abstractions.” All words should mean something measurable in reality. Everyone should be able to trace those meanings.
- **Have the discipline to “close the loop” on your process.**  
Executives are prone to “defining the sales process” and leaving the details up to

everyone else. Employees are prone to “lip service” to keep the boss happy and avoid the uncomfortable. Don’t fall into either of these black holes, because you’ll never come out. The sales process must be “home grown.” Break it into its smallest components and learn how salespeople solve those problems. See how their solutions vary and why. That is where your real sales process is. Always remember that.

### **Why Pursue Operational Excellence?**

Companies whose sales and marketing departments choose the path toward Operational Excellence will have a variety of competitive advantages:

- Their knowledge of what their customers respond to will be clearer and more timely.
- The ideas that flow from customer and salespeople’s insights will drive a variety of experiments, each of which increases the company’s knowledge of how to make money flow faster in their markets.
- These businesses will understand where their bottlenecks are and the financial impact of potential improvements in their processes.
- They inherently take less risk, because they have established a range of simultaneous experiments. This provides the evidence needed by product managers, marketing managers, and sales VPs for decision making. Initiatives that don’t meet expectations are the exception, not the rule.

The predictability and stability of their financial results will make them more attractive to investors, who will be willing to invest more money in them than their competitors.

And those are just a few of the reasons. Can you think of others?