Ten Warning Signs of Dysfunctional Business Development Departments

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...Or Ten Ways Your Sales And Marketing Department Can Hurt Or Even Kill Your Business And What To Do About It

Have you ever thought about why naturopathic doctors are becoming more and more popular while more and more people regard traditional doctors as commissioned peddlers for large pharmaceutical companies?

There is a huge difference. Traditional doctors look at the human body as a collection of individual bits and bobs. Cardiologists declare you healthy as long as you have a healthy heartbeat. Ophthalmologists declare you healthy as long as you can see. But cardiologists don't care about your eyesight and ophthalmologists don't care about your heart. They look at you in a fragmented way. They focus on their content (functional expertise), while ignoring the context (Holistic human being: Body, mind and soul). Using Abraham Maslow's words, "If all you have is a hammer, then everything looks like a nail."

Naturopathic doctors regard you as a "whole", that is, body, mind and soul. When they work on you, they work on the whole person, not only on your heart or eyes.

The same way, business development is one "whole thing", and is supposed to operate in a seamlessly integrated manner. But in many service businesses it is fragmented into marketing, sales and client service. There are three different silos competing with each other for glory.

Just look at how these departments are positioned in an organisation. Sales on the first floor, marketing on the fourth floor and client service outsourced to India or Pakistan to save money. The sales and marketing folks don't even talk to each other, let alone working together. And for the client service department. They are so far out there, that they are totally out of tune with what's going on inside the company.

Hint: See why most Internet and web hosting companies have horrendous client service. Because the person in India who is sitting by the phone for $0.50 an hour couldn't care less whether clients get properly served or they just take a running jump at the nearest brick wall and smash their faces.

In the medical world there are certain signs doctors measure on patients, such as blood pressure, pulse, pulse oximetry (percentage of haemoglobin in the blood which is saturated with oxygen), ECG, etc. Doctors call these vital signs.

Don't get me wrong. I'm not a doctor. The closest I came to it was when I was an embalmer and worked with autopsy doctors. Nevertheless, the vital signs still apply.

And in the same way there are some vital signs for your business development department too. And when either of these signs is out of whack, then you'd better pay attention, otherwise you can land in deep shit and may even tank your company.

Using the doctor's analogy, Jeffrey Pfeffer, Thomas D. Dee Professor of Organisational Behaviour at Stanford Graduate School of Business once said, *“What kind of doctor would you be if your patient was bleeding faster and faster, and your only response was to increase the speed of the transfusion?"*

By the same token, what kind of business owner are you if your company's sales are going down and your only remedy is to increase the rate of hiring more peddlers and sending them out to pound pavements, dial for dollars and chase, hunt, hound and pound people in any way they can in the hope of new business?

So, let's see these seven warning signs, and the discuss some alternatives to improve the situation...

1 Departments Named Incorrectly -

If you call your business development department a "Sales and marketing" department, then you probably have other functions in your business the wrong way round too. No, this is a bit more than semantics and hair-splitting. It originates from the conceptual mistake that sales folks' job is to bring in the money to feed and house the rest, while the marketing folks' job is to meditate and invent catchy slogans and exciting marketing campaigns, regardless of whether they make money or lose money for the company. Yes. After several years the "Got Milk" commercial is yet to break even. As a result of the hyper expensive Michael Jackson commercials in the early 90s, while the soft drink industry in general was on a rise, Pepsi took a massive revenue nosedive. The celebrity commercial didn't help Pepsi one single inch.

And while the marketing folks were celebrated for their original idea to hire Michael Jackson for the ad series, the sales folks were ruthlessly beaten up to meet quota month after month.

The pre-Gerstner IBM was famous for this too. When salespeople exceeded their quota, IBM would reduce their commission percentage and shrink their territory. All in all, IBM did its damned best to maximise their salespeople's performance, while very carefully keeping commission payments as little as possible.

What was the root cause? Marketing and sales weren't tied together. The marketing folks were was doing all the "creative" stuff, probably to entertain themselves and the boss, but definitely in support of the company's sales efforts.

Having a *"Sales and Marketing Department"* also causes, what sales expert Jeff Thull calls, “cross-functional dysfunction", that is, what one department creates, the other destroys. For instance, look at the car industry. Marketing comes up with catchy slogans and other things to increase vehicles' perceived value, but at the dealerships, through "cutting special deals", salespeople sell the vehicles like dirt by offering insane discounts just make a sale to make their commissions.. So regardless how much perceived value marketing can initially create, commission-hungry salespeople will give away the store for instant money in their pockets.

Instead of having a "sales and marketing" department, I propose the concept of a business development department whose job is the profitable attraction and retention of clients who match your Ideal Client Profile. You will read about the importance of the Ideal Client Profile a few points bit further.

2 Discrepancy in Compensation -

"We pay only for results" – screams the stupid braindead manager from the top of his lunges. So, he sets up a commission system for the sales force. In the meantime everyone else who is part of the business development game is paid a flat salary plus bonuses. At this moment the sales folks have just been alienated from the rest of the company, and they know one thing: "I'm all by myself. Whatever I hunt, I eat". And now the next thought is that if they don't belong to the company anyway, why should they bother to focus on achieving the company's objectives. If the company doesn't give a damn about its salespeople, why should they care about the company?

By putting sales folks on a different compensation structure from the rest of the company, the company essentially told them, "You don't belong here. We tolerate you as long as you make money for us, but don’t expect us to respect you in any shape or form." It reminds me of a scene in the movie Ben Hur, when the new governor, Quintus Arrius goes down to the rowing deck of the galley and addresses the slaves, "You're all condemned men. We keep you alive to serve this ship. Row well and live." Sadly, most companies repeat this message to their sales folks on a daily basis.

Using this retarded, staggered compensation method is the same as a farmer watering his plants and feeding his animals based on daily gain in size and weight. Imagine that farmer reprimanding one of his pigs, "Because since yesterday you haven't grown to my expectation, so you' don't get lunch today. If you don't gain some weight by tomorrow, you will skip tomorrow's lunch as well."

This is the exact attitude most companies show towards their salespeople. And what is the result? The average annual attrition is **43%**. What exactly do you want to accomplish with a group of people half of whom leave your company every year? Who do you expect to trust a company that loses its salespeople at a faster rate than people change their underwear?

And where do you think those folks are going to? Yes, straight to your competitors. And who do you think has chased them away? The answer is as obvious as a ham sandwich. The idiot who came up with the commission structure.

And if we consider that it is the sales folks who make the money to pay the rest of your gang and enable you to put food on the table and feed your family, it may be a good idea to do something to keep these sales folks with your company, instead of actually helping them to defect to your competitors and work against you.

Also, as a result of this discrepancy in compensation, sales folks are treated with some disdain by the salaried folks. Salaried folks are regarded as the "vital professionals", whereas sales folks are regarded as the "expendable grunts".

But here are some questions to consider...

- Can you do business without staff? Of course. 80% of your staff is useless overhead, although staff size gives business owners a good reason for bragging about their successes. But running a business is not the same as cattle farming.
- Can you do business without a nice corporate office? Yes. But having one feeds business owners' egos.
- Can you do business without a company car? Yes, but in the absence of substance one needs style to impress one's peers. In professional speaking the “experts” say, it's not what you say but how you say it that counts. Eloquently presented bullshit wins the day anytime. Just don't fall for it.
- Can you do business without a selling something? Well, some dot com idiots tried a few years ago, but it didn't work. No you can't. We're living in a world of buyers and sellers.

And here is the problem. Sales folks are regarded as corporate rats who must be tightly controlled on a very short leash. At the same time the company's survival depends on them. If all of them all of the sudden leave your company, just as rats desert the sinking ship, you're in deep shit.

So, maybe you want to look at how sales folks are treated at your company, and show a shred of appreciation for them for dedicating their time, effort and expertise to make your company successful. After all, without them you're nothing.

3 No Standardised "First Contact to Signed Contract" System -

Consider flying for a moment. When is the highest level of risk for a plane to crash? Yes. On take-off and landing. Why? Well, there are many factors but this is one: That's when pilots have to work very precisely, in a very standardised way with the control tower staff. And if in the middle of the landing process there is a shift change among control tower staff, then what happens? One controller who knows the approaching plane's situation inside out hands over the plane to another controller who knows nothing. The leaving controller can leave messages and brief the arriving controller on the explicit part of the situation, but one thing is missing: The tacit part of the equation. The incoming controller is guaranteed to miss something the outgoing controller new intuitively somewhere in his peripheral thinking. The tacit part is the lots of tiny details about the plane. And these details cannot be communicated in a short debrief.

Just think about it. It was tacit knowledge that made Mozart the one and only. Many people knew the chromatic scale. Many people knew the written (codified) rules of composing. They just didn't have that ineffable je ne sais quois that made Mozart so special.

In the same way, when prospects in your sales funnel get tossed around from marketing to sales and then to client service, something will be lost in the cracks. What is lost? Some companies lose as much as **75%** of their qualified leads.

Business development is really a continuum. Here is an easy representation of this continuum.

Target Prospects (Your target market)

⇓

After qualification they become…

⇓

Qualified Prospects (Prospects who fall into your Ideal Client profile)

⇓

After activation they become…

⇓

Tryers (Prospects who are in the process of checking you out)

⇓

After trying they convert into…

⇓

Clients (Paying for your services)

⇓

After that they become…

⇓

Repeat Clients and **Referral Sources** (Keep coming back for more services and bring their friends)

And here is the problem. Unless you have a seamlessly integrated business development system in which individual processes work together in harmony and synergy, as opposed to a fragmented silos of sales, marketing and client service, you are always doomed to work far too hard to maintain even an inferior level of client experience.

Just think of a four-cylinder engine. When the four cylinders work together, you can reach your destination fairly quickly and problem-free. But what if only one cylinder misfires and ends up working against the other three? Your journey can become a certifiable nightmare.

Remember, your client work may be first class, but what is the overall client experience? Most lawyers, accountants or car mechanics are pretty good at lawyering, accounting or fixing cars. Nevertheless most people dread the experience they have to go through to get their divorces, their tax returns and their car fixed.

Any idiot can sell coffee. But there is only one "Starbucks experience." There are many theme parks in the world, but there is only one "Disney experience." And the secret they have lies in a seamless system operated by disciplined, passionate and enthusiastic people.

4 No Price Objections - No price objection is a very good indicator that you're selling your services at a far too low price. At one point you may have been convinced that price is a matter of supply and demand. If you believe that, you may be in deep yoghurt.

Price has only one function, and that is perceived value. As the saying goes, beauty is in the eye of the beholder, and the same way value if in the eye of the buyer. But it's the seller's responsibility to skilfully parade all elements buyers can perceive as value.

And when you parade your value element skilfully, the value will be recognised. So, let's combine the "no price objection" because of low price and "what, you're crazy" outrage, and reach a buying decision, like "Oh, you have a sharp pencil, but considering the return I'd better do it." So, there is recognition that you're not cheap, but your value is recognised too.

Price objections come from incorrect pricing methods. If you charge higher than competitive(ly low) hourly rates for your services, you have a problem. Hourly rates can be compared. And if your competitors are cheaper than you, you get compared out of the picture before you could even say Jamina Puddleduck. When your price is so obvious, you get compared on that obvious factor.

The problem is that there is no value here, only price. And if you try to sell your services based on price, tomorrow there will be someone who's willing to sell at an even lower price. What will you do then?

But there is another issue here. If you are a "price seller" you gradually crush your people's morale. You are forced to pay low wages and you can invest less in expressing your appreciation to your people. Working conditions start deteriorate. And rest assured that your people's feelings will rub off on the clients they serve.

Look at any industry. The low price providers have astronomical client attrition. Mercedes drivers are likely to drive Mercedes for the rest of their lives. And they often get their cars from the same dealership.

So, instead of just trying to beat the competition on price, learn how to better communicate the value of your services, so you get paid what your services are worth.

5 No Adherence to Ideal Client Profile -

Good cardiac surgeons reject prospects that come to them with their toothaches or ingrown toenails.

But the best of them differentiate not only by symptoms and health problems. They select clients based on character traits. They know that the character of the patient defines and end results. Flake patients who can't commit to anything, or fall off track prematurely, tend to fall short on your services too. They fail at their ends of the agreement, and often end up blaming you for the lack of results.

There are many dangers in trying to serve a market segment you're not meant to serve. A few years ago I helped some BMW dealerships to fine-tune their sales processes. It was interesting to see how differently these folks were selling from the sales folks at Ford.

For instance, they met prospects only on an appointment basis. Then we introduced some new initiatives to make the qualification simpler and less time-consuming.

Before setting appointments with prospects, they had to show written proof that they had the means to actually buy a car. And that was interesting. Some prospects made a fuss and they were told to go and shop somewhere else. But the majority of people respected our process. They shared with us that one of the reasons they were successful in life because they were selective with the people they were dealing with and were protective of their time.

And one more interesting thing happened. There was no longer need for traditional selling. By the time prospects came to the office with written proof of their abilities to buy if they choose so, the sales process was merely a discussion between peers. Just a discussion whether they wanted textile or leather upholstery or manual or automatic transmission. There were no objections, no fuss, no cringing about the price.

So, what all this means is that if your set the bar pretty high, only the best of the best will come through, and the rest will get stuck in the sludge below. Clear-cut separation.

And you are better off dealing with the 20% of the cream of the crop than wasting time and energy on the 100%, including the 80% rest of the crop. Don't get me wrong. They are not bad people per se. And someone else can serve them quite well. But why would *you* take on the trouble. Remember, bad business repels good business.

The energy of bad clients rub off on you and it damages your company's energy. If you have a bucket of white paint, all you need is one drop of black paint to turn the white gray. And then you'll need a hell of a lot of white paint to make it white again. But you may never be able to recover the same "pure" white.

So, you must be very careful with your clients and whom you accept as a client.

So, here is one way one way of putting together an Ideal Client profile.

Take a sheet of paper landscape and divide it into five sections. Starting from the far left you have…

1. Your best clients (Far left column)
2. Characteristics of your best clients
3. Ideal Client (Centre column)
4. Characteristics of your worst clients
5. Your worst clients (Far right column)

Now start filing in the blanks…

Step 1: Identify your best clients

Step 2: Identify your worst clients

Step 3: Identify the characteristics of your best clients

Step 4: Identify the characteristics of your worst clients

Step 5: Distil the best and the worst characteristics into the centre column

Step 6: Check your current clients and decide whether or not they are appropriate for your vision. Rate your clients on the scale below and decide what you want to do with them. Remember, no business is better than bad business.

Here is your scale for evaluation

+5 - Enthusiastic advocate

+4 - Strongly supportive

+3 - Supportive

+2 - Interested

+1 - Do not mind

-1 - Will not resist

-2 - Uninterested

-3 - Somewhat negative

-4 - Sceptical

-5 - Antagonistic anti-sponsor

6 Measuring Success Using Gross Sales Figures - Now imagine you want to buy a car. You find a model and ask the salesman for some details. He gives them to you, "Man, this car is able to cover 500 miles. And this car can run for 10 hours non-stop. And this car drinks only two gallons of fuel."

What you've got now is three useless, *absolute* indicators on the car. Any car can cover 500 miles. Any car can run 10 hours non-stop. And any car can drink two gallons of fuel.

But what you don't know is this:

Does this car cover the 500 miles in 5, 15 hours or 50 hours?

During the ten hours of non-stop driving, does this car cover 5, 50 or 500 miles?

And with two gallons of fuel, can this car cover 5, 15 or 50 miles?

Because if this car can cover only five miles in 10 hours with two gallons of fuel, then there is a problem, and you you'll be in deep shit if you buy it.

What this means is that you need *relative* indicators on the car, such as mileage per gallon or distance per time unit. They mean something.

Similarly, when you express your business' success, in gross sales, that's pretty useless. It's just an absolute indicator.

But now consider the flowing indicators…

- Revenue per employee
- Net profit per employee
- Net profit per project
- Net profit per client

If your business makes $100 million annual revenue with 1,000 employees, that's only $100,000 revenue per employee. Take away the overheads and salaries, and you realise that you could make better money in a 9 to 5 job with less risk.

But if you're a small consulting firm billing out $1 million with one other partner operating from your respective spare bedrooms, then that's blazing success. You have $500,000 revenue per person and virtually no overhead. You have 90% plus profit margin. Can you live with that?

As the saying goes, it's not what you make but what you actually keep that counts.

Using only absolute indicators your business can become like the hospital where the average temperature is normal. 50% of the patients are dead and the other 50% have high fever. But the average is just fine. Average indicators are great for the ego, but are meaningless.

This is where masses of people who want to lose weight are misled. They peg their successes against lost pounds. But pounds are irrelevant. What counts is body fat percentage. What percent of your body is pure lard relative to your total bodyweight? For instance, I weigh 215 lbs, and being only 5"7", conventional wisdom would call me morbidly obese. But I have only 11% bodyfat. So, using an absolute indicator, like bodyweight, I desperately need medical attention. But using a relative indicator, like bodyfat content, I'm in reasonably good condition. (And bust my arse every day to make it even better)

Remember, business is the game of margin not volume. Wal-Mart may be the world's largest retailer with the highest sales volume but by the time they pay wages and overhead costs, there is not much left. In contrast look at Harrods, a comparatively small super high-end retailer in London. They have low volume and super high margins.

And, after shopping there for bits and bobs when I was living in England, my observation is that you will never find the same dedication and passion in Wal-Mart employees you find in Harrods employees.

So, don't delude yourself with high sales. As friend, mentor and renowned joint venture expert, Robin Elliott (www.jveuphoria.com) has told me, *"Tom, sales are vanity, margins are sanity. And by going for one, you automatically forego the other. Choose very carefully."*

And here is another thought about indicators. Hard indicators (money) are created by soft indicators. Soft indicators can be…

Yes/no questions, like…

- Did you have a good breakfast this morning?
- Did you have a good night sleep?
- Did you exercise this morning?

Scale of 1 to 10 questions…

- How nutritious was your breakfast?
- How restful was you sleep?
- How hard did you push yourself in the gym?
- What is your current stress level?

Factual questions…

- Resting heart rate right after waking up
- Your bodyweight and bodyfat measured after waking up
- Number of glasses of water consumed

Now you may say, these indicators have nothing to do with business. I disagree. These indicators define your mental and emotional states throughout the day, and it's your mental and emotional states that define the quality of work you do every day in your business. These factors define whether the people are attracted to you or repelled from you. Whether you attract winners or attract losers.

As Michael Gerber told us at the E-Myth Mastery Programme, *"Your business is just a reflection of who you are, and if you want to change your business, you have to change yourself first."*

Poor, pessimistic, miserable bastards create poor, pessimistic, miserable businesses, which in turn will attract only other poor pessimistic, miserable bastards. So, are these the people you want to do business with? What can you expect of them? Arguing over your prices and services.

Stuart Wilde Writes in one of his books, *"The secret of success is to raise your energy. When you do that, [people will be naturally attracted to you. And when they show up, bill them!"* It's all about attraction.

7 Managing By Quota - Managing a sales force by sales quota is just as retarded as managing an army by a "kill quota". For an army to kill enemy soldiers to fulfil its quota there must be an enemy, and someone, usually a politician, has to actually declare war.

Similarly in business. The sales force can only fulfil its quota if the upper management of the company made the right choice with the services and the target market.

You can't blame your sales force if they can't sell water skiing lessons to the Eskimos or skiing lessons to the native tribes in the Sahara desert. No matter how hard they try.

The other day I was watching a western movie. Some wagons were crossing a big muddy area and one wagon got stuck. No matter how hard the horses pulled, the wagon didn't budge. So, the driver asked for help from the other wagon driver. And they came. But they didn't come to give a push. No. These cowboys, fully equipped with the brainpower of a bovine, came to join the first driver to whip the horses and shout.

And this is happening in most businesses. When the sales force falls short of quota, the sales manager starts "whipping' and threatening them. When that's not enough, the VP of sales joins the whipping frenzy. If even that's not enough, the CEO and the president join. They have nothing valuable to contribute, so they keep whipping the sales folks.

And when these smart and intelligent sales folks realise that they are surrounded by certifiable idiots, they leave and go to the competition.

A while ago I worked with an IT firm and it was interesting to hear the president interview new sales folks. He was pretty hostile to them and told them he would pay for only results and he expected them to make their first sales within two days. And after the interviews those sales folks left for the day. And they never returned. It was actually them who kept turning the offer down because they sensed the "slavery" they were expected to enter.

And the president kept complaining about the fact that the world was full of incompetent nincompoops. I agree. He was the chief nincompoop.

So, instead of a quota, you have to create an environment in which people naturally do what's best for the company, because they know that in return the company does what's best for them: Pays them well and recognises their successes.

Sadly most companies are not capable of offering this minimum expectation to their sales staff. That's why the average turnover rate among sales folks is some 43%.

And when the situation becomes hopelessly bad, management invites a motivational speaker. As Henry David Thoreau once said, *"For every thousand hacking at the leaves of evil, there is only one hacking the roots."*

Managers are too keen on addressing the symptoms because they often point at the sales staff. But the real causes of these symptoms point at the managers. And we're living in a society in which the higher you climb on the organisational ladder, the less you're held accountable for your actions and results. So, when the shit hits the fan in the executive suites, it quickly slides down to the sales force and stinks up the whole department. And when the smell reaches the boardroom, executives know it's time to discipline those lazy salespeople and set an good example by firing some of them.

As a result of this misconception, salespeople in most companies are temporary workers. They happen to be there until they find something better. And they will only do the necessary minimum just not to get fired.

Just look at most companies. No one besides the sales folks is accountable for bringing in the quota. Teamwork is non-existent. If you have a sales force of 50 salespeople, they are likely to pull your "corporate cart" in 51 different direction. Why? Because creating and communicating a unified direction are hard, and most managers don't even try.

As Alan Weiss puts it in one of his books, "The beating stops when morale improves." But then you have a very long time to wait.

8 Excessive Discounts To Close Sales -

This is very dangerous and in a minute we'll do the calculations, so you will see with your own eyes what you may not have seen before. Your marketing folks try to position your services as a valuable premium offer, but your sales folks virtually give the store away for an instant commission. The problem is that they are compensated differently, and we discuss this problem under the next heading. Let's take a look at the world of discounts. You'll be surprised…

Let's say your gross sales are $1 million

Minus COGS $650,000 (65%)

Gross Margin is $350,000 (35.0%)

Minus GS&A Fixed Costs $200,000

Minus Variable Costs $150,000 (15%)

<u>So, you break even</u>

After offering a 10% discount, your sales volume drops to $900,000

Minus COGS* $650,000 (72.2%)

Gross Margin is $250,000 (27.8%)

Minus GS&A* Fixed Costs $200,000

Minus Variable Costs $150,000 (16.7%)

You're $100,000 in the hole

Calculate the sales volume just to break even:

Break Even Sales Volume = GS&A Fixed Costs [$] / (Gross Margin [%] – Variable Cost [%])

$200,000 / (0.278 – 0.167) = $1,801,801.80

<u>So, if you give a 10% discount, you have to almost double your sales volume just to break even.</u>

Now raise your price by an easy-to-accept 10% to $1,100,000

Minus COGS $650,000 (59.1%)

Gross Margin $450,000 (41.%)

Minus GS&A Fixed Costs $200,000

Variable Costs $150,000 (13.6%)

You've made $100,000 net profit. Sweet.

Calculate the sales volume just to break even after the price increase…

$200,000 / (0.41 – 0.136) = $729,927.00

After raising your price only by **10%**, you can break even on **67%** of your original sales volume and the other **33%** is pure icing on your cake. Start eating.

* COGS - Cost Of Goods Sold

* GS&A - General, Sales and Admin

So, what can you do to avoid excessive discounting? What can you do to avoid retarded comments like "I can get the same service down the road a lot cheaper."

You have to change your sales approach. This is how. Think of practitioners in one profession with whom no one haggles! Hm. Here it is: Doctors.

You have to sell like a doctor.

Look at this baby…

Traditional "Used car" selling is…	Diagnostic (self-closing) model is…[1]
5% Qualification	10% Discovery
15% Needs analysis	40% Diagnosis
35% Presentation	35% Design of solution
45% Closing	15% Delivery of solution
...Leading to unstable, typical buyers-vendor, superior-subordinate relationships riddled with objections, politics, suspicion, scepticism and cynicism.	...Leading to trust- and respect-based peer-level relationships between true collaborators working towards the same objectives without hidden agendas.

So, when you change your sales approach from needs analysis to medical type diagnosis, you instantly increase the perceived value of your solutions, and prospects, who are ready for your solutions, will close themselves without arm wrestling. Traditional selling methods, due to their manipulative nature, create resistance and also degrades the seller to the level of a common peddler, an uninvited pest, a downright pain in the arse.

When, instead of slimy closing techniques, you perform ROI analysis in front of prospects, they will see the value of your solution, and your price will be just a fair investment to achieve valuable objectives.

9 Individualised Reward And Compensation Methods

Individualised Reward And Compensation Methods - Everybody is talking about teams and teamwork, but when you look at most companies, you find that it is company policy to destroy teamwork among business development folks. And now we're back to fragmentation. The marketing folks are paid salaries and the sales folks are paid commissions. And in doing so you actually set your marketing folks against your sales folks and the result can push your bottom line lower than wale shit at the bottom of the ocean. Your bottom line becomes rock bottom line.

[1] Although I use it due to lack of a better name, but the term "Diagnostic Selling" is a registered trademark of Jeff Thull's Prime Resource Group, Inc. www.primeresource.com. The percentage comparison is also from Jeff, and it clearly demonstrates the difference between the two processes.

Let’s look at the commission structure. By paying your sales folks differently from the others, you automatically alienate them from the rest of the team. Your offer will attract people with "entrepreneurial" mindsets not team players.

Here is one problem. Commissioned salespeople, instead of providing great service that is great both for clients and the company, provide a skewed service that is perfect for their own earnings regardless of the clients and the company. Survey after survey, people relate the worst buying experiences to commissioned salespeople. And I dare to say commissioned salespeople are the very reason why most people passionately hate interacting with salespeople, and why the profession of selling has become so notorious… well, borderline scumbaggy.

But then why is it used in the first place. Well, because it's great for manipulating people. The fact is that good people do good stuff because that's part of their value systems. Lazy people goof off because that's part of their value systems. Good people do good things by nature. Lazy people are lazy by nature. And no amount of money will change them.

So, if the commission structure is so bad, what can you use to unite your teams? Well, first we have to reward the team, not the individual. And a good team, like a good, well-maintained immune system, expels inappropriate elements that don't fit in.

In the movie Dirty Dozen, when Franko tries to escape, Major Reisman (a.k.a. management) doesn't have to get involved to remedy the situation. No. Two other team members, Wladislaw and Jefferson "recommend" Franko (in the form of a good beating) to forget about escaping (deserting the team).

A cohesive team doesn't need the manager's power to sort issues out. However, there must be a team leader. Self-leading and self-directed teams are just as much of an illusion as self-directed societies without leaders.

So, what is the solution here? Here is one method I've used many times and it's always worked out. Both financially and it also got rid of the wrong people. Mind you initially I got lots of opposition but then people started seeing the big picture.

Step 1: Add up your people's gross salaries and divide it by the number of people. This is the base salary for everyone. Yes, everyone gets paid the same regardless of anything. We're talking about one team, not a bunch of individuals. The goal is to maximise collective (team-wide) earning not individual earnings. Aligned earnings create aligned commitment to making the company more profitable.

Step 2: Set aside a certain percentage of the total revenue for bonus, which is, again, equal for every team member.

Step 3: Educate your people on the value of a dollar and what it means both to the company and to them.

Step 4: Explain that everything is distributed equally. If someone leaves and the team is willing to pick up the extra work, and do it in good quality, instead of hiring a new person, the departing person's salary will be distributed among the team members.

Rest assured, there will be protests here, but that's just people's ego, demanding more for themselves. You might hear, "I have a degree and deserve more than a secretary". Don't you believe that bullshit! This is a team not a bunch of prima donnas. If you want them to work as a cohesive, unified team you have to treat them as a team.

In the short-run some folks take a pay cut and some take a pay increase. But this is short-term only. Pretty soon the onus cuts in and everyone starts making better money than ever before. Why? Team synergy kicks in. People understand that the more the company makes, the more they make.

If someone can't handle the short-term pay cut for the sake of long-term success, get rid of him/her. You need long-term players who are willing to give up instant gratification for long-term success.

Remember, you're building a culture with a long-term view, and the more you tolerate short-term temptations, the more you undermine the culture.

Some other thoughts here. He team must have a strong leader. The self-directed team is an illusion. It only leads to chaos. Your team also must have the autonomy, authority and capability independently and effectively to the beat of its own drum without obstruction and interference from high above.

Interdependency must only exist within the team, but between teams, each team must be independent with its own budget and the right to use it.

Now you may say this is just too ideal for teamwork. It may sound too ideal, but this is the only way to keep a team a team when the heat is on and the stakes are high.

In one of the final scenes of the movie Backdraft, when the two, by then, adversaries Bull (Kurt Russel) and Axe (Scott Glenn) were fighting in a burning house, all of the sudden Axe falls. Bull catches him and holds him dangling by one arm, trying to pull him up. Axe demands Bull to let him go, and Bull says, "You go, we go." They demonstrated teamwork even as adversaries when the heat was literally on, and they didn't crumble into two individuals running their own personal agendas.

And similarly to the military, these teams are not forged in boardrooms and classrooms through exercises like holding hands and singing "We Are The Champions". It takes a bit more to create championship teams.

10 Lack Of Individual Coaching And Rehearsal - This is truly amazing. Artists do it. Soldiers do it. Musicians do it. But businesspeople are too busy to do it. I'm talking about rehearsal. I'm talking about regularly practising what they are expected to do with prospects.

How many companies do you know where salespeople get together regularly to practice and role play their skills in a controlled environment and get instant feedback on their performance?

In every company every single person must be engaged in various rehearsal activities on a regular basis.

Your receptionist should practise receiving telephone calls from different kind of people for different reasons.

And executive assistant must practise to retrieve vital information.

Your office manager should practise how to file and retrieve information more effectively.

In the military when soldiers are not fighting in battles, they are actively engaged in practising their crafts and perfecting their skills. In an environment where the stakes are high, daily practice is a must.

And what is the result of not practising? Well, either way, you will practise. But unless, for instance, salespeople practise with each other how to do their stuff better, they will practise on prospects and they keep blowing their chances on minor issues that could have been ironed out in rehearsal.

But the common explanation is that "We're so busy chasing prospects (and using our – often obsolete - skills in a substandard manner) that we don't have time for this practice stuff and to improve. Besides, I don't get paid for it."

Well, neither does Dame Kiri Te Kanawa, my favourite soprano, but she knows that at her level of mastery rehearsal is not an option but a must.

According to various sources, golfing legend Tiger Woods practises 10 hours every single day. Of course, he didn't become a legend by watching golf on TV and playing **only** at tournaments.

Arnold didn't build his bodybuilding legacy by talking about training. He was actually doing it in the gym day after day for many years.

I think British poet, Somerset Maugham said it right when he stated, “Only mediocre people are always at their best.”

Have you noticed that only the losers on your sales team (some 80% of them) vehemently defend their case why they don't need to practise their trades, why they don't need to attend workshops and why they are the best of the industry, while your sales stars regularly rehearse to become sales superstars.

I believe people who don't see the importance of rehearsal are not fully sold on the idea of mastery, and the more adamantly they oppose regular practice, the further away they are from even getting on the path that leads towards mastery. I always recommend clients to get rid of them.

A few years ago I worked with a fitness facility and we set up a training circle for personal trainers. We formed a Trainer's Mastermind Programme and trainers started training staff members in return for feedback and new ideas to improve service. These were highly certified trainers, yet when it came to providing a fitness service, they had major shortcomings. Using feedback from staff "clients", they could quickly improve and provided better service for their real clients. As a result referral and repeat business rate have gone up quite significantly and they could increase their fees quite significantly.

Summary

In this Executive Briefing I kept talking about services, and you may say, "Hey Tom, we do products." Well, products are great and we all need them. You must however, understand that margins lie in services.

Years ago throughout the world we could see products dominating the marketplace. Apart from lawyers and doctors nobody really offered professional services.

Then something happened and people started expecting more personalised service and solutions that became harder and harder to cram into pre-created product packages. So, the service era was born.

Let's take a quick look at what happened to one of the largest product vendors, IBM. After nine years at the helm, Lou Gerstner retired as IBM's CEO. So, what happened during his reign? He started converting IBM, the vendor of "boxes" to IBM, a global professional services firm.

So, you can see IBM's biggest growth came from a service that had nothing to do with IBM's core business: Beige boxes. As a result of a mere afterthought, Gerstner added an extra $35 billion to IBM's bottom line by inventing "IBM Global Services". With this deed IBM became the world's largest professional service firm. As Business Week put it, IBM became the system integrator of choice.

And here is Gerstner's comment on offering services, **"You are headed for commodity hell if you don't have services"**.

So, how come Gerstner recognised the opportunity? One of the reasons may be that Gerstner is a former McKinsey & Co. strategy consultant, and clearly understood the value of services as a higher margin offer than peddling "boxes".

There was another obstacle Gerstner had to overcome. You see, IBM had provided services before Gerstner too, but the service was skewed by the lack of objectivity. The solution to every problem IBM encountered "happened to be" another IBM "box".

Gerstner made the top executives sign a document in which they agreed to provide the "best" solutions to IBM's clients regardless of whether or not the solution (the product) was made by IBM. With this act Gerstner established objectivity, making IBM a reliable service provider.

The fact is that if you want to make good margins in the 21st century, you need to offer services to augment your products. If you sell paint, then offer decorating services. If you sell lumber, then offer carpentry or home building services. And do what IBM did, "We offer global services and sometimes we throw in some boxes for the hell of it."

Using battle-tested military principles and strategies, former electronics/computer engineer, technology buyer, soldier and gravedigger, now B2B business development strategist and copywriter, Tom “Bald Dog” Varjan helps privately held high-tech companies to kill and bury ugly, filthy, mind-numbing, bone-jarring, soul-sinking cold-prospecting grunt work, and build “minimum headcount and maximum firepower” type commando style business development teams and systems to effortlessly sell premium services to premium clients at premium prices. Visit his website for a broad range of business development tools, white papers and articles at http://www.varjan.com

PS: Here and there you may find words in this document that are spelt differently from your way of spelling. Words like colour, honour, favour, realise, which you'd spell as color, honor, favor and realize. I speak and write British English, the so-called Queen’s English, which is a bit different from English in other countries. However, there may well be some genuine typos and spelling errors, so feel free to let me know. Thank you and happy reading.

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