



BREAKING THE CYCLE OF UNDERPERFORMANCE

AI-Enabled Change Management in an Industrial SME

People | Process | Technology | Governance | Cost of Inaction

7 years

persistent underperformance

USD 60k

Cost in the first year
for transformation:

USD 10-20m

estimated cumulative sales
opportunity forgone

1. Executive Summary

The core issue was not simply sales performance. It was the operating system behind sales performance.

For approximately seven years, Company Y - an independent local trading company linked to the international sales structure of Company X - delivered economic results below expectations. Repeated changes in sales personnel did not create sustainable improvement. An interim management intervention therefore examined whether the recurring performance problem was rooted less in individual employees than in the commercial system itself.

Field observation revealed limited prospect development, weak market-coverage discipline, insufficient activity transparency and a working culture in which explanations for missed results often received more attention than the measurable activities required to create results. At the same time, an older database containing several hundred customers and prospects suggested that meaningful commercial potential may have remained insufficiently developed.

Central proposition: Sustainable transformation does not occur merely by replacing people inside an unchanged system. It occurs when management redesigns the system in which people are expected to perform.

The proposed response was a digitally enabled sales-management model combining AI-supported lead identification, prospect prioritization, local digital marketing, structured field-sales workflows and transparent activity management. The objective was not to replace salespeople, but to create an operating environment in which even average sales personnel could achieve a more consistent minimum level of performance.

The estimated first-year investment was approximately USD 60,000. It was not implemented. Cost concerns, skepticism toward AI-enabled tools and organizational changes at management level left Company Y largely in the same limbo that had characterized the preceding years.

USD 0.5-1.4m	4-12%	~USD 1m
indicative cumulative EBIT opportunity forgone	USD 60k as share of estimated EBIT opportunity cost	incremental sales needed to yield USD 60k EBIT at 6%

2. The Seven-Year Performance Trap

When successive employees produce similar outcomes, the organization must examine the system.

Company Y possessed several characteristics that should have supported a viable industrial sales operation: an established market presence, long-standing customer relationships, technically knowledgeable staff, access to European machinery and equipment, and the resources of the wider manufacturing group.

Yet its contribution remained below expectations for approximately seven years. The recurring management response was personnel replacement. Salespeople were changed roughly every two years, followed by renewed expectations that the next recruitment would solve the problem.

Underperform ance	Personnel change	Renewed expectation	Recurring result
Sales and economic contribution remain below expectation.	Employees are replaced as the primary corrective action.	New hires are expected to produce a turnaround.	Performance again falls short; the cycle restarts.

This cycle matters because it can disguise organizational inertia as action. Replacing employees is visible and decisive, but it does not necessarily alter lead generation, customer prioritization, field activity, follow-up discipline, management information or accountability.

Diagnostic principle. One employee's underperformance may be an individual problem. Similar outcomes across several successive employees should trigger a systemic diagnosis.

Personnel change is not automatically organizational change.

3. Field Diagnosis and the Hidden Market Asset

The intervention shifted the discussion from explanations to observable commercial activity.

The interim manager, DRW, spent time inside the local organization and accompanied salespeople into the market. During a second extended visit, three sales representatives - A, B and C - were asked to arrange customer and prospect meetings that DRW could attend.

Salesperson A possessed strong technical expertise and access to established customers but struggled to generate meetings beyond the company's long-standing relationships. Salespersons B and C were more agile, yet each arranged only about three visits during the approximately two-week period. Direct observation of customer interactions led to the conclusion that B and C did not demonstrate the commercial capability required for the intended turnaround.

The decision to replace them exposed a second problem: suitable industrial sales profiles were difficult to recruit locally. More importantly, the organization had already tried replacement repeatedly.

During the same diagnostic process, an older list containing several hundred customers and prospects was identified. The list was not proof of recoverable revenue, but it was evidence of a potentially valuable asset: unprocessed commercial information.

The management question changed from: 'Why is the market not producing enough sales?' to: 'How systematically has the organization actually covered the market?'

A modern sales system could validate and enrich such a database, identify current companies, detect investment signals, classify potential, allocate prospects geographically, record contacts and systematically manage follow-up. The old customer list therefore became the bridge from a personnel problem to a system-transformation concept.

4. From Better People to a Better System

Design the organization around the talent that can realistically be recruited.

The decisive change-management question became: How can the business create acceptable performance even when exceptional sales talent is scarce?

Traditional field-sales models often depend heavily on individual initiative. The salesperson identifies prospects, decides whom to visit, organizes the schedule, maintains customer information, recognizes opportunities and determines follow-up. This can work with exceptional performers. It becomes fragile when performance is average or inconsistent.

System identifies	System prioritizes	Sales executes	Management learns
AI and digital research build and refresh the prospect universe.	Defined criteria rank accounts by likely commercial relevance.	People contact, visit, qualify, advise and build relationships.	Activity and pipeline data reveal what works and what does not.

The proposed operating model would move part of commercial intelligence from individual discretion into organizational infrastructure. Human capabilities would remain essential for technical understanding, trust, negotiation and relationship development. Technology would improve the consistency of where salespeople go, whom they approach, what they follow up and when they act.

AI was not conceived as a substitute for salespeople. It was conceived as performance infrastructure for salespeople.

5. The Digital Commercial Operating Model

Six connected components were intended to turn market potential into a measurable workflow.

- 1. AI-supported lead identification. Continuously identify relevant companies and potential customers, combining historical data with newly discovered prospects.
- 2. Lead qualification and prioritization. Rank prospects using factors such as company size, production activity, installed equipment, geography, historical relationships and investment indicators.
- 3. Local digital presence. Rebuild the local website as a commercial acquisition platform rather than only a corporate presentation.
- 4. Digital demand generation. Use appropriate local search and advertising channels, including Yandex-related activities where commercially relevant, to create inbound opportunities.
- 5. Structured field-sales execution. Deliver prioritized tasks through a digital workflow: contact, qualify, arrange meeting, visit, document potential, determine next action, follow up.
- 6. Activity transparency. Use mobile reporting and, where legally permissible, proportionate location-supported verification to improve evidence of market coverage and reduce information asymmetry.

LEADS	PRIORITIES	FIELD SALES	PIPELINE
Find and enrich	Score and allocate	Visit and qualify	Follow up and convert

Any use of employee location data would require appropriate privacy, labor-law, proportionality, consent or other lawful-basis analysis under the applicable jurisdiction. The management purpose should be accountability and reliable activity information, not indiscriminate surveillance.

6. Change Architecture: People, Process, Technology, Governance

Technology only creates value when the operating model changes with it.

PEOPLE	PROCESS	TECHNOLOGY	GOVERNANCE
Reduce dependence on exceptional individuals; augment technical and relationship skills.	Create a repeatable commercial workflow from lead to follow-up.	Use AI, digital marketing, mobile tools and analytics as enabling infrastructure.	Create transparency, accountability and management ownership.

People. The objective was not headcount reduction. It was to reduce key-person dependency and make competent average employees more effective.

Process. Sales development would move from predominantly individual working methods toward a defined commercial process with observable intermediate activities.

Technology. AI, CRM-type functionality, digital marketing and mobile applications would provide the information infrastructure supporting the process.

Governance. Management would gain greater visibility into market coverage, visits, follow-up and pipeline development. This is often the most underestimated element of digital transformation: technology changes what management can know.

Digital transformation changes accountability. That can create resistance not only among employees, but also among managers accustomed to limited performance transparency.

7. Opportunity Cost: Putting a Price on Inaction

The visible cost of change should be compared with the largely invisible cost of maintaining the status quo.

The proposed first-year transformation budget was approximately USD 60,000, including a local IT and marketing specialist assignment, AI-supported tools, digital infrastructure and an online advertising budget.

For a small organization, this was a material investment. But the decision case becomes incomplete if management evaluates only the money at risk from acting. Missed customers, undiscovered projects and lost orders do not generate invoices and therefore rarely appear as explicit costs.

USD 10-20m	5-7%	USD 0.5-1.4m
estimated cumulative sales opportunity forgone	illustrative EBIT margin	indicative cumulative EBIT opportunity forgone

The USD 10-20 million figure should be treated as a management scenario for cumulative addressable sales opportunity during the prolonged period of underperformance, not as audited lost revenue and not as business that would certainly have been won.

Applying a 5-7% EBIT margin produces the following indicative range:

Scenario	Sales forgone	EBIT margin	Indicative EBIT forgone
Lower case	USD 10.0m	5%	USD 0.50m
Intermediate A	USD 10.0m	7%	USD 0.70m
Intermediate B	USD 20.0m	5%	USD 1.00m
Upper case	USD 20.0m	7%	USD 1.40m

8. Reframing the USD 60,000 Decision

A transformation project need not recover the entire missed opportunity to become economically relevant.

The comparison between transformation cost and estimated historical opportunity cost changes the decision frame. The USD 60,000 first-year investment represents approximately 12% of the lower USD 0.5 million EBIT opportunity-cost scenario and approximately 4.3% of the upper USD 1.4 million scenario.

USD 1	USD 8-23	~USD 1m
transformation investment	estimated historical EBIT opportunity cost per USD 1 invested	sales needed for USD 60k EBIT at 6% margin

This does not prove that the project would have succeeded. It demonstrates that the financial exposure associated with continued inaction may have been many times larger than the amount required to test a different operating model.

A better board question is not simply: 'Can we justify spending USD 60,000?' It is: 'What is the expected economic exposure if the present operating model continues to underperform?'

At an illustrative 6% EBIT margin, USD 60,000 of EBIT corresponds to approximately USD 1 million of incremental sales. In an industrial equipment environment, that creates a practical break-even question: could a digitally enabled sales system reasonably generate or protect approximately USD 1 million of incremental sales over an appropriate evaluation period?

The answer would still require evidence. But it would support a controlled test rather than a binary debate about whether AI is too futuristic.

9. A Lower-Risk Transformation Path

Convert belief-based debate into a measurable pilot.

1. MAP	2. TEST	3. EXECUTE	4. SCALE
Clean customer data, define addressable market and establish baseline KPIs.	Use AI-supported research to identify and rank a limited prospect set.	Introduce structured field-sales tasks, reporting and follow-up.	Measure pipeline and orders; expand, redesign or stop based on evidence.

Phase 1 - Data and market mapping. Clean the historical database, identify additional prospects, segment the market, define prioritization criteria and establish baseline performance.

Phase 2 - Lead-generation pilot. Test AI-supported tools on a limited group of high-potential accounts. Measure contact rates, meetings and qualified opportunities.

Phase 3 - Field-sales digitalization. Introduce structured activity management. Track leads allocated, contacts attempted, meetings arranged, visits completed, opportunities identified, quotations submitted and order value.

Phase 4 - Digital marketing and scale decision. Add localized web content and targeted advertising. After six to twelve months, compare results with the historical baseline and decide whether to scale, redesign or stop.

The decision changes from 'Do we believe in AI?' to 'Are we prepared to invest a controlled amount to test whether this operating model creates measurable commercial improvement?'

10. Management Implications and Conclusion

The most expensive decision may be the decision that never appears on the agenda.

Repeated failure requires a change of system. If similar performance problems survive several personnel replacements, management should examine process, information, incentives, leadership and governance.

Measure market coverage before blaming the market. Weak sales do not by themselves demonstrate weak market potential. Management needs evidence of how systematically the addressable market has been covered.

Design for realistic human capability. A business model that depends on exceptional employees in a labor market where they are scarce contains a structural vulnerability.

Make the cost of inaction visible. Every major transformation proposal should present both the cost of change and an explicit scenario for the economic cost of no change.

Treat AI as organizational infrastructure. The relevant question is which activities currently dependent on inconsistent individual behavior can become more systematic through data, automation and AI.

Transformation requires executive sponsorship. Technology cannot compensate for unresolved leadership, unclear ownership or repeated postponement of decisions.

Sustainable change does not occur merely by replacing people inside an unchanged system. It occurs when management redesigns the system in which people are expected to perform.

Company Y did not explicitly decide to continue seven years of underperformance. Rather, a sequence of personnel changes, delayed interventions and non-decisions allowed the condition to persist. This is a common form of strategic drift: the visible cost of transformation is challenged rigorously while the invisible cost of maintaining the status quo remains largely unpriced.

The unresolved case therefore leaves a broader management question: If years of conventional interventions have not changed the result, is the greater risk investing in a different operating model - or continuing to operate the same one?

Financial note. All opportunity-cost figures are management estimates for scenario analysis. USD 10-20 million represents estimated cumulative addressable sales opportunity potentially forgone; applying an illustrative 5-7% EBIT margin yields USD 0.5-1.4 million of indicative EBIT opportunity. These figures are not audited losses and do not imply that all potential would necessarily have converted into orders.