THOUGHT LEADERSHIP | NHA-TL-001

The Thirty Year Mistake

How finance dismantled the sales function — and what it costs every year it stays broken

THE THESIS

Over thirty years, the finance function progressively dismantled the integrated commercial and sales capability of the British mid-market business. It did this with the best of intentions, using perfectly legitimate tools, and the damage it caused has been structurally invisible to most boards until the moment it became a crisis. This paper explains how it happened, why it persists, and what a commercial strategy that corrects for it looks like.

"The finance function did not set out to damage commercial capability. It set out to manage cost. The two things turned out to be the same, and it took thirty years for most boards to notice."

PART ONE — HOW IT HAPPENED

The Measurement Problem

The story begins in the late 1980s and early 1990s, when a generation of CFOs and finance directors, empowered by new management accounting systems and under pressure from increasingly short-term-oriented capital markets, began applying a set of disciplines to commercial and sales functions that had previously been largely self-governing.

The disciplines were logical in isolation. Headcount should be justified by revenue output. Marketing spend should be measurable. Account management time should be allocated to accounts by revenue potential. BD investment should be assessed against pipeline probability. These are not unreasonable principles. The problem is that they are optimised for measurement rather than for commercial development.

THE MEASUREMENT TRAP

When the measurement framework rewards what is measurable and ignores what is not, the organisation progressively optimises for the measurable things. The unmeasurable things — relationship depth, institutional knowledge, trust accumulated over years — are eliminated one headcount decision at a time.

PART TWO — THE FOUR STRUCTURAL DAMAGES

Damage One: The Loss of Commercial Memory

Every restructuring cycle removes a layer of commercial experience. The people who knew why a particular client relationship worked, who understood the informal dynamics of a major account, who could read the political landscape inside a target organisation, are rationalised out of the business. Their successors inherit a CRM record and a contract file. They do not inherit the twenty years of context that made those records meaningful.

Damage Two: The Separation of Selling from Delivering

The pressure to demonstrate efficiency through specialisation has produced a clean structural separation between the people who sell and the people who deliver. In a B2B environment, the most powerful commercial conversations happen when the person who can solve the client's problem is the same person who is having the commercial conversation. When selling and delivery are structurally separated, the salesperson promises outcomes they do not control and the delivery team manages expectations they did not set.

Damage Three: The Destruction of Strategic Account Development

Strategic account development requires an investment of senior time and commercial attention that does not produce measurable return on a quarterly basis. Finance's measurement framework cannot see this return until it arrives. What it can see, every quarter, is the cost of the senior time being invested. The rational response, within the measurement framework, is to reduce that investment.

Damage Four: The Procurement Substitution

As suppliers reduced their commercial investment in client relationships, buyers replaced relationship-based purchasing with process-based procurement. By the time mid-market suppliers recognised the shift, the decision-making had moved from people they knew to committees they had never met, evaluating criteria they had not been involved in setting.

THE CLIENT SHIFT

The client did not stop valuing the relationship. They stopped being allowed to buy on the basis of it. The procurement function moved the decision from the people the supplier knew to the people they had never met.

PART THREE — WHY IT PERSISTS

The thirty year mistake persists because it is invisible from inside the measurement framework that created it. The boards and finance directors managing mid-market businesses today are not making the mistake consciously. They are applying the disciplines they inherited, against the metrics they were given, within a framework that has never been questioned because it has never produced a visible crisis.

The Misdiagnosis Cycle

When commercial performance deteriorates, the standard response is a sales process intervention: a new CRM system, a new pipeline methodology, a new incentive structure, a new sales director. These interventions address the visible symptoms and leave the structural cause untouched.

THE CYCLE

New CRM. New methodology. New sales director. Same results. The intervention is always at the symptom level. The structural cause — the financialisation of commercial strategy — is never addressed because it is never identified as the cause.

PART FOUR — WHAT THE CORRECTION LOOKS LIKE

- Restore commercial memory deliberately. The institutional knowledge lost through restructuring cycles cannot be recovered from the people who left. It can be rebuilt through a structured programme of deep client engagement that surfaces the relationship dynamics, strategic priorities, and decision-making structures that a CRM record cannot capture.
- Quantify the revenue at risk from relationship atrophy. Every mid-market business has a concentration of revenue in a small number of relationships. The commercial question — what is the probability of renewal, and what would it take to expand rather than simply retain — is almost never answered at board level.
- Re-integrate commercial and delivery at the strategic account level. The structural separation of selling and delivering can be maintained for new business development. It cannot be maintained for the strategic accounts that represent the majority of revenue.

• Build the BD architecture that finance can see. A rigorous pre-engagement benchmark, a defined investment period, and a commercially structured performance measure are tools that finance understands. The commercial leader who brings the BD case to the board in those terms will get a different response than the one who simply asks for more senior headcount.

PART FIVE — THE NHA RELEVANCE

NHA's commercial model is a direct response to the thirty year mistake. The retained advisory structure, the single fee with no commissions, the Pre-Engagement Benchmark Declaration, and the one-client-per-sector discipline are all designed to provide exactly the kind of senior, independent, commercially focused capability that the financialisation of commercial functions progressively eliminated from mid-market businesses.

NHA does not offer a universal result to every client. It offers the diagnostic clarity to identify where the equivalent opportunity exists in their own commercial base, and the commercial architecture to pursue it.

THE NHA PROPOSITION

NHA advises a small number of retained mid-market clients on commercial strategy, revenue growth, and EBITDA improvement. One client per sector per geography. Single fee. No commissions. Personal delivery by Paul Foster. If your business has a commercial ceiling it cannot break through, a client base that is not growing at the rate it should be, or a BD function that is consistently underperforming its potential, a conversation costs nothing.

ABOUT NATHAN HARMER ASSOCIATES LTD

Our principal, Paul Foster, brings 49 years of commercial leadership including FTSE-level strategic account management, international BD programme design, and senior advisory across eight sectors.

Nathan Harmer Associates is a retained commercial strategy and business development advisory practice. We work with a small number of mid-market companies across the UK, US, European Union, Australia and New Zealand, and Canada on revenue growth, commercial architecture, and EBITDA improvement.

Our principal, Paul Foster, brings 49 years of commercial leadership. NHA operates on a strict one-client-per-sector-per-geography model and accepts no commissions or referral fees from any third party.

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