THE WORLD'S GREATEST SALESMAN…page 16

Harvard Business Review

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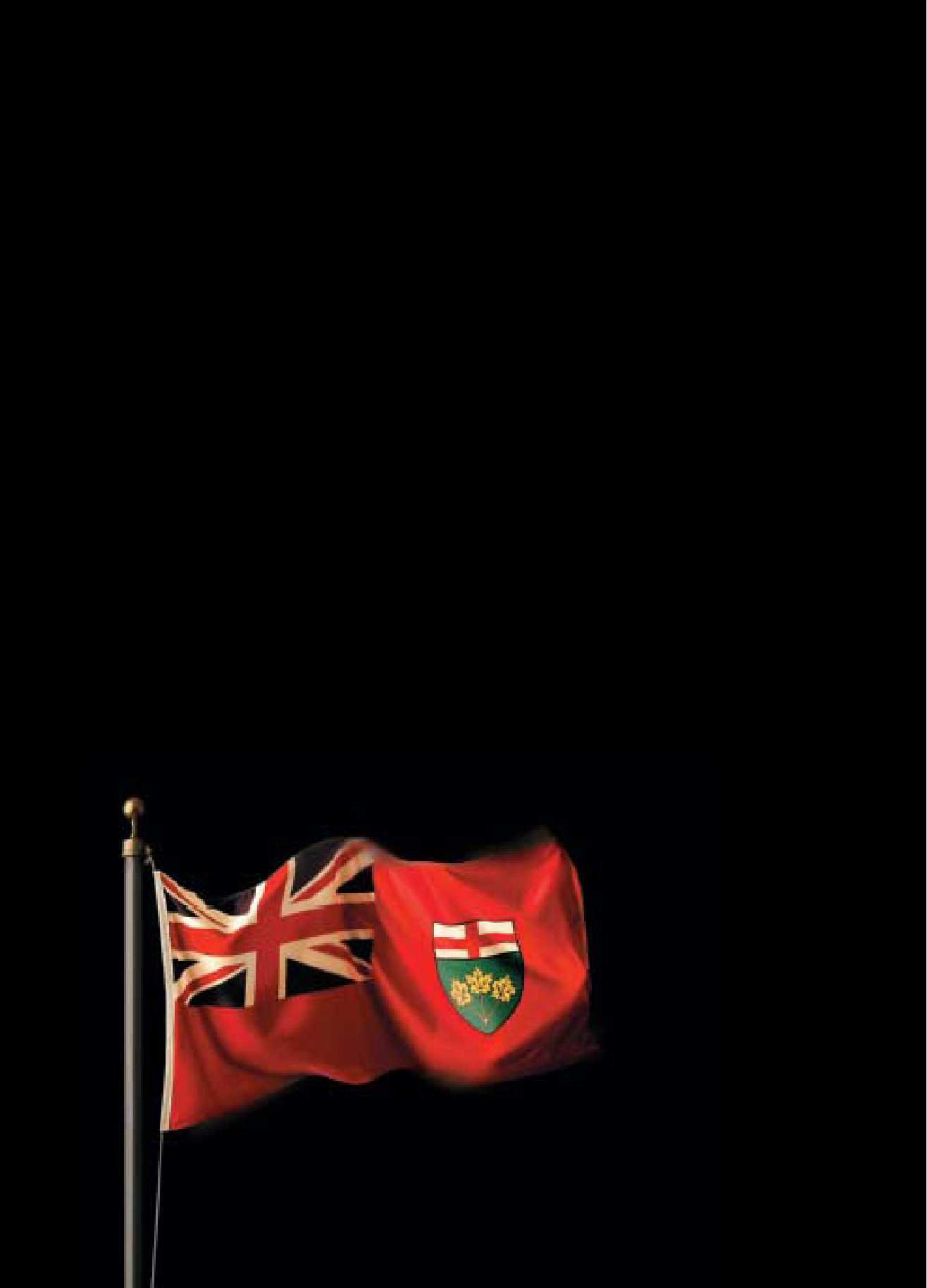
SPECIAL DOUBLE ISSUE

SALES

Caters to both

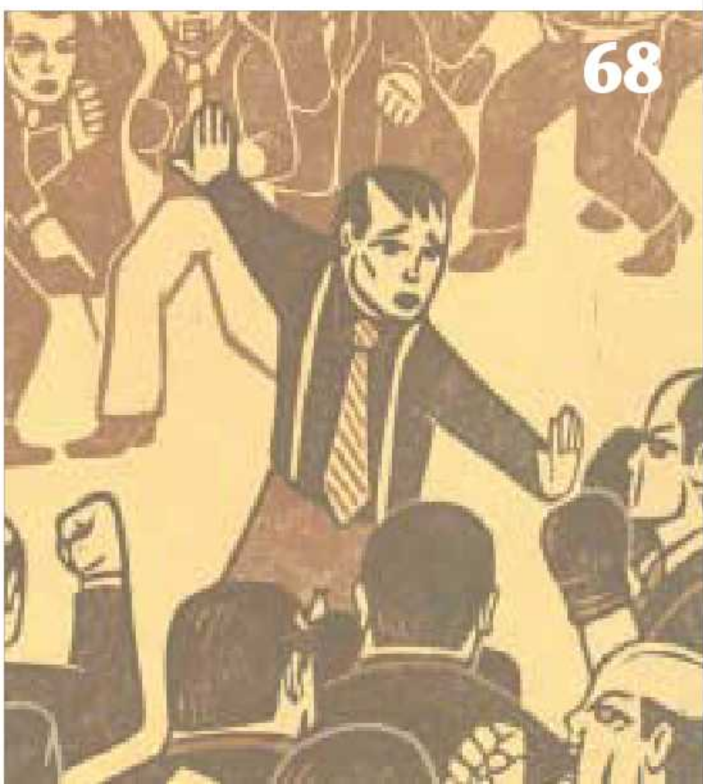
ECOSYSTEM AND

GIVES MORE TO THE DRIVER. TAKES LESS FROM THE WORLD.



Features

July–August 2006



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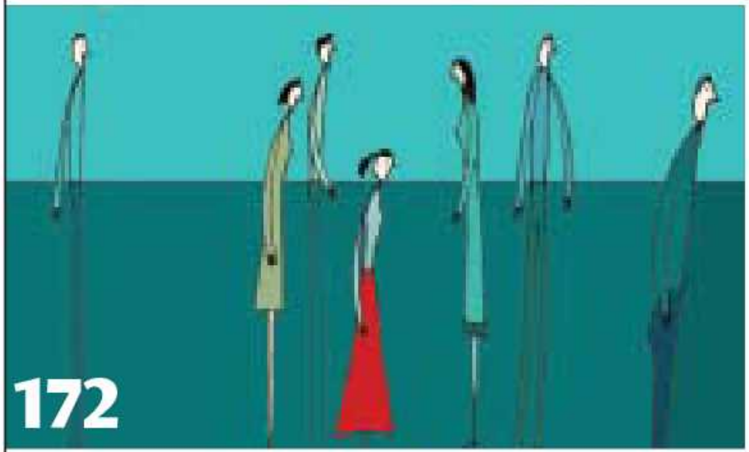

Best of HBR

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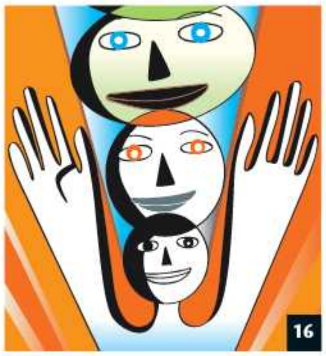

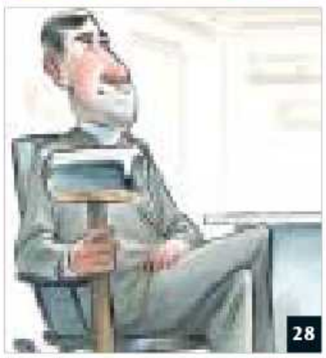

An Invitation to HBR Subscribers

Where will management innovation come from in the future? What are the most important ways that today's organizations will need to change to thrive in the decades to come? Gary Hamel's Management Innovation Lab and *Harvard Business Review* want to hear your ideas on these issues shaping management and innovation. To contribute your thoughts, please visit **www.HBR.org** and click on the link "Imagining the Company of the Future" on the home page.


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Organizations in this issue are indexed to the first page of each article in which they are mentioned. Subsidiaries are listed under their own names.

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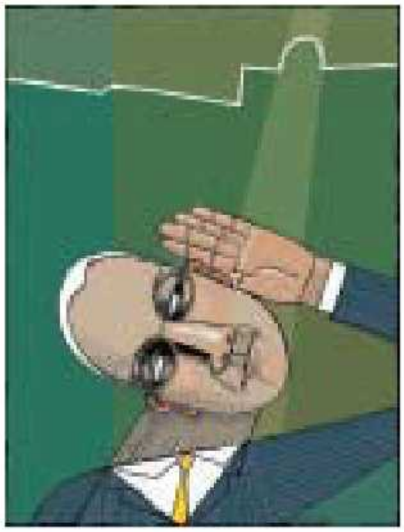
"First, we need to discredit the public's notion that the best things in life are free."

PATRICK HARDIN

The Top Line

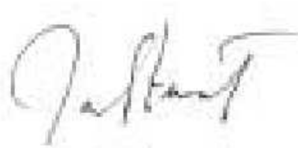


TALK ABOUT COUNTERINTUITIVE: Of all the topics in the field of business, sales has probably gotten the least attention from serious researchers. The marketing departments of A-list business schools are thick with faculty and rich with ideas – but few of them have offered much in the way of a sales curriculum. The schools' neglect may reflect their customers' wants. Not many students enter an MBA program hoping to land that first job in a district sales office in a midsize provincial city. The popular literature on sales management is just that: popular. Some is very good, indeed – full of street smarts and occasionally grounded in empirical research. But a lot is rah-rah, testosterone-pumping stuff whose primary purpose seems to be to lend hardcover legitimacy to the author's career as a sales conference motivational speaker.

The curricular gap is puzzling for many reasons. First, it runs counter to the behavior of chief executives. Every good CEO I know makes it a point to spend time in the field with the sales force – and often acts as salesperson-in-chief to certain major customers. Second, selling is changing fast and in such a way that sales teams have become strategic resources. When corporations strive to become customer focused, salespeople move to the foreground; engineers recede. As companies go to market with increasingly complex bundles of products and services, their representatives cease to be mere order takers (most orders are placed online, anyway) and become relationship managers. Third, the organization of the sales force and the incentives it's given are among the most crucial decisions executives make. When companies get into trouble because of misalignment, the chiropractic needed almost invariably involves the sales force. Reorganizing a sales force is one of the riskiest projects a company can undertake – a "heart transplant," Ram Charan once said to me – where a mistake can ruin careers and cost a company years of profits. Last, and far from least, sales is where the money is. At the top of the game, major-account managers for big corporations may be responsible for hundreds of millions in revenue. As Fred Hassan, the CEO of Schering-Plough, says in this issue, no strategy can succeed unless a company takes control of its top line.

Because good stuff about sales is so rare and so important, a team of HBR editors has spent the last several months developing the articles you see in this special double issue. We aimed to be comprehensive in a couple of senses. We tried to cover the waterfront, with articles on subjects such as the individual salesperson's network, how sales organizations learn, the changing qualifications of a great sales manager, and the eternal conflict between sales and marketing. As always in HBR's special issues, we have included here selections from the best articles we've published on the topic. We also sought to comprehend how the economics of a business affect the way it sells. Top executives may ask the big economic questions: Are we selling products or services or both? What is our competitive advantage? Where are we in the life cycle of a product or company? How does our company create value? But they don't ask these questions frequently enough, and the answers often aren't applied rigorously and well at the edges of the firm, where it meets its customers. That disconnection is particularly unfortunate these days because the economics are changing and so is customers' behavior. As Barry Trailer and Jim Dickie point out in their article, customers' buying processes have evolved in our world of ubiquitous, instant, global communication, but companies' selling processes have for the most part stayed the same.

Academic attention to sales seems to be picking up. Some 30 U.S. business schools have established sales centers. From a researcher's standpoint, studying sales has one advantage over studying, say, leadership or organizational behavior: Selling is inherently and directly measurable. It would be wrong, though, to proclaim that sales is a topic whose time has come – because it never left. Good business leaders all have a feel for the consequential. I hope you'll find that the articles in this issue sharpen that instinct with scholarship and experience.



Thomas A. Stewart

ROBERT MECANCK

Harvard Business Review

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forethought

A survey of ideas, trends, people, and practices on the business horizon

STRATEGY

A Portfolio Approach to Sales

by ROBERT C. DUDLEY AND DAS NARAYANDAS

What do sales reps at some of today's biggest B2B vendors have in common with Fuller Brush men of yore? They both have relied on the foot-in-the-door approach to sales: Establish the relationship by leveraging price and performance advantages over competitors, then expand the business by methodically migrating from one adjacent sales opportunity to the next. That approach may still work if you're selling home care products door-to-door in the suburbs, but it's inefficient – and often ineffective – when your customers are located in big enterprises and your goal is to become a long-term strategic partner and solutions provider.

Among the major challenges vendors now face is that the skills needed to sell, say, replacement printers to a large customer's IT organization are very different from those required to get buy-in from a customer's senior managers on a long-term strategic alliance. So how can vendors anticipate and meet enterprise customers' diverse needs? First and foremost, they should enter accounts at several management and administrative levels with resources that are tailored to each sales opportunity. By matching capabilities to specific opportunities and providing carefully considered support, vendors can optimize their return on their sales efforts.

The companies that do this best, we've found, are those that take a portfolio approach to managing sales. In 2000, we described in a Harvard Business School case study how Hewlett-Packard reorganized its sales functions around defined sales opportunity portfolios. Since then, we have studied variants of this prac-

FEDERICO JORDÁN

tice at dozens of companies in industries ranging from financial services to pharmaceuticals. Teams using portfolio tools have new-business growth rates that are on average three times those of their peers.

The portfolio approach divides potential sales opportunities into four categories – repurchase, replacement, expansion, and innovation – and then supports sales reps in ways that maximize their performance for each type of sale. The skill sets required to manage each type of opportunity may overlap, but they are substantially different. Therefore, vendors can benefit by reorganizing their sales forces and redefining the roles of reps to best service the portfolio customers represent. This means giving salespeople more autonomy and allowing them to function more like account managers.

Repurchase occurs when customers buy more of a product from a given vendor. To win repurchase orders, a rep needs to remain front and center in customers' minds, have their full confidence, anticipate their needs, and be there when those needs arise (an absent rep invites competitors to steal away business). The rep must also, of course, be able to meet customers' specifications for features, delivery, and price.

Because ongoing service typically adds great value to product purchases, it is usually the vendor's service organization, rather than the sales rep, that is critical in securing repurchases. Yet firms rarely leverage service to support sales. As a result, sales reps waste time and effort juggling service-oriented tasks related to their customers' previous purchases when they should be nurturing the relationship and selling.

In addition to increasing the service organization's overall involvement in selling efforts, a shrewd vendor will establish a dedicated in-house sales support team to serve as the contact point for customers in repurchase relationships. This group keeps abreast of customers' repurchasing needs by performing such tasks as responding to requests for quotations (RFQ) and customer inquiries on pending RFQs. It also heads off rejections by defending quotes that might marginally deviate from customers' specified needs and monitors customers' future purchase requirements to help sales reps forecast demand. These support activities free reps to focus on higher-level sales efforts that can help secure repurchases.

Replacement occurs when customers with repurchase opportunities substitute a new vendor for an existing one. To successfully seize replacement opportunities, vendors need to be good at monitoring competitors' sales activities at both the customer and the market levels. Vendors that keep close watch on rivals are best positioned to replace them when they slip up in product or service performance. Several companies we studied support their sales reps in this arena by assigning competitive intelligence groups within their market research function to track industry trends, competitors' product and services failures, and impending product or technology changes that could benefit or harm the vendor.

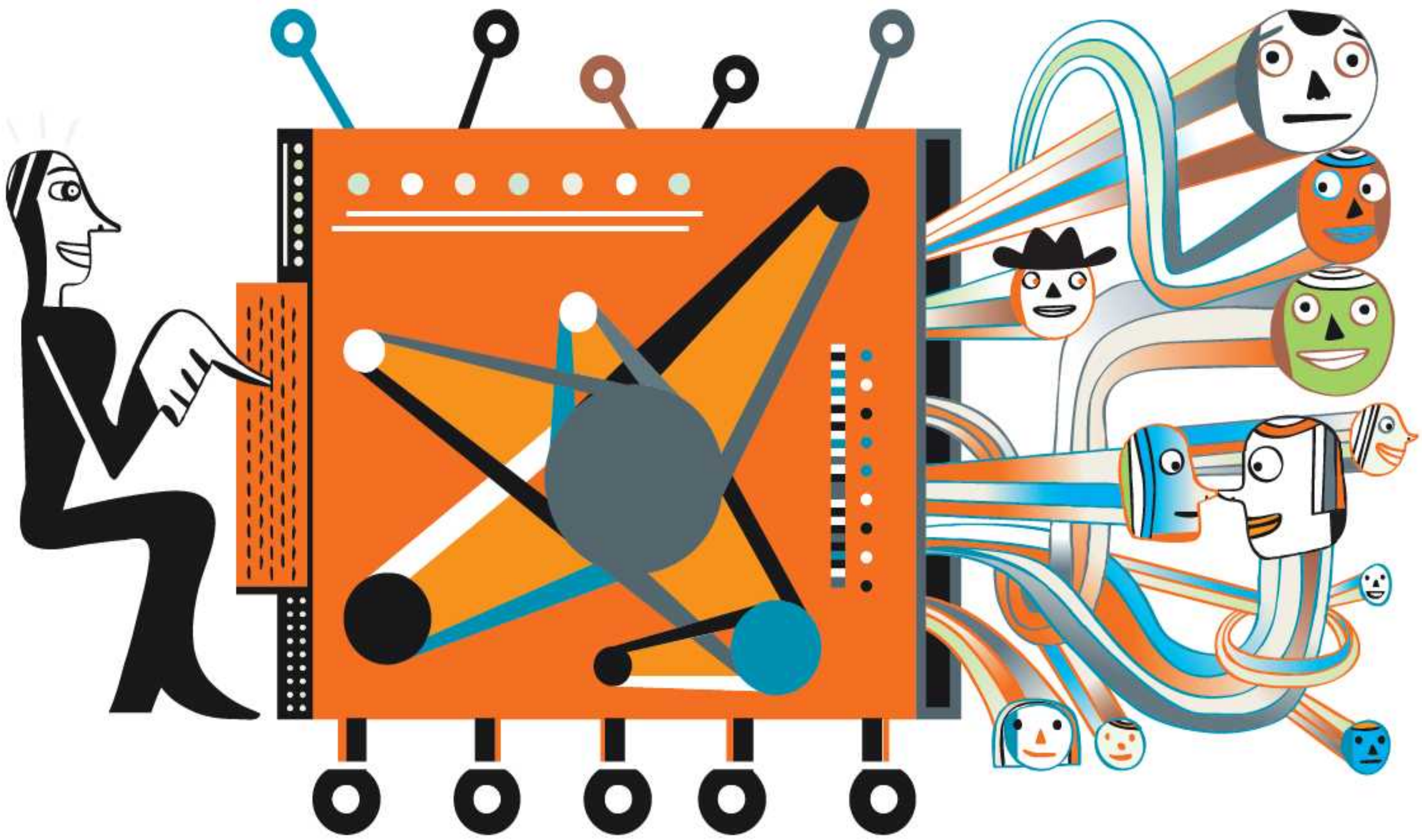
Expansion occurs when a vendor identifies and fulfills customer needs that are not currently being serviced. Expansion opportunities demand that reps develop a more strategic view of both the customer's business and their own.

A common way companies support sales in expansion efforts is by creating business development organizations. These cross-functional groups, which may include people from marketing, R&D, and finance, generate detailed expansion project proposals that reps can utilize to engage product users and managers in the customer company. Freed from much of the distracting proposal development work, reps can focus on building the trust in their own firm's technical and project management skills that is essential to securing expansion accounts. This also allows reps to devote more energy to influencing customers' specifications and budgets.

Innovation occurs when vendors engage with existing customers to identify needs they didn't realize they had – and (often jointly) develop new solutions. These opportunities are almost always supported by senior executives in the customer company, are little influenced by mid-level managers there, and usually require a sizable budget.

Gaining access to customers' top executives isn't easy, but it is essential in developing innovation possibilities. Often, those executives expect to meet with their counterparts in the vendor firm to discuss long-term vision and strategy. One company we studied was a telecom vendor whose software could spot potentially catastrophic service problems before failures occurred. The vendor initially created a dedicated sales force to build relationships with mid-level executives in prospective accounts and used

FOCUS ON SALES



these to sell up. Though the team made progress, the sales message was slow to climb through the customers' hierarchy, and it took 22 months to make the first major ($110 million) sale.

Then the sales team tried a new strategy: It identified the customers whose business was most vulnerable to a service failure and therefore could benefit most from the vendor's software. The team then used existing mid-level contacts in the business to arrange a meeting between the CEOs of both firms. About 30 minutes into the meeting, the customer CEO asked his management team to evaluate the financial impact of a service failure and determine a timeline and costs for implementing the vendor's solution. A few weeks later, the vendor made the sale; over time, it became a trusted ally in the customer's business development strategy.

Vendors that manage innovation opportunities well, we've found, explicitly empower sales reps to serve as emissaries between senior management at their own companies and at customer firms, fostering the formation of strategic partnerships.

Companies that free their sales reps to manage opportunities, rather than simply sell products, will find not only that they can steal business from competitors but also that they can create new business their competitors hadn't even conceived of.

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INFORMATION TECHNOLOGY

Selling the Sales Force on Automation

by MARK COTTELEER, EDWARD INDERRIEDEN, AND FELISSA LEE

Six years ago, market research firm Harris Interactive made a major change in how it went to market. Instead of relying on research professionals to sell its services, it hired its first full-time sales staff and implemented a sales force automation (SFA) system to support it. This should have been a welcome development. After all, it allowed researchers to focus on their true passion and made it easier to keep customer information up-to-date and consistent. But employees resisted mightily at first, because they feared that the loss of control over customer relationships might cause the quality of their service to suffer. It wasn't until the company figured out how to embed the automation system into its culture that the change paid off.

Harris isn't alone in its experience. Industry analyst IDC estimates that companies spent nearly $3 billion on global SFA applications in 2004, and that number is rising. There's no guarantee of a payoff, however, especially if employees won't adopt the tools. For many salespeople, the mere mention of sales force automation can set off alarm bells. They envision a loss of autonomy – their bosses monitoring their every move via computer – not to mention a loss of power, as valuable customer information is pried from their hands and dropped into full view of the entire organization. What's more, busy salespeople may resist taking

the time to learn how to use the new tools, fearing lost commissions or missed quotas. In the worst cases, sales reps may enter fake or incomplete data or simply write what they think the boss wants to see. That renders the application useless; the system is only as good as the information it contains.

The term "sales force automation" is a bit of a misnomer. The focus of such applications is not on automating salespeople's jobs but on enhancing the sales process. Yes, some companies have begun to digitize certain routine sales activities, such as taking orders and providing shipping information, but the objective is to make sales staff available for more relationship-oriented activities – the aspects of the job that a computer can't do. SFA systems can also help coordinate the disparate but highly interdependent activities of marketing, selling, and providing service, and the information that these systems contain can help senior executives make sales-related decisions.

Using Harris Interactive as an example, we'll offer some tips for successful SFA implementation. The company is well known for the Harris Poll and is the fastest-growing and 13th largest market research firm in the world. Harris's reliance on researchers to handle sales resulted in an uneven revenue stream, as the delivery-oriented professionals had to shift their focus between acquiring clients and meeting those clients' needs. The move to hire a professional sales force was made to even out the sales pipeline.

At first, Harris's researchers feared that the new salespeople wouldn't understand the nature of the work they were selling. But eventually, the firm devised an effective sales system that teamed researchers with marketing, sales, and service staff. It quickly learned that each group needed to know what the others were doing, and it turned to SFA software to help them coordinate their activities. The recommendations that follow can aid companies facing similar challenges in making the transition.

Understand the sales representative perspective. Concern about SFA among salespeople is not unfounded. Reps *will* have to take some time away from selling to learn the new tools. Managers *will* become more aware of what is happening in the field, and the issue of customer ownership *will* be raised. Sales agents at Harris still remember having to hand over their files, which held all the information about each customer relationship (and therefore much of the agents' leverage with their employer). Sales executives should not try to hide the challenges they face but rather address them openly so that a real conversation can begin. Once salespeople are up to speed on an SFA system, they tend to report greater productivity, which should translate to better earnings. Encourage them to take the long view.

Ease the transition. Companies should do everything they can to support sales reps as they convert to the SFA system, such as provide assistants who can enter information for them while they're getting up to speed. It's also important to protect salespeople from any risk to their compensation that could result from having to spend time away from selling while they learn the tools. Employers might consider excusing temporary drops in performance and giving breaks on quotas.

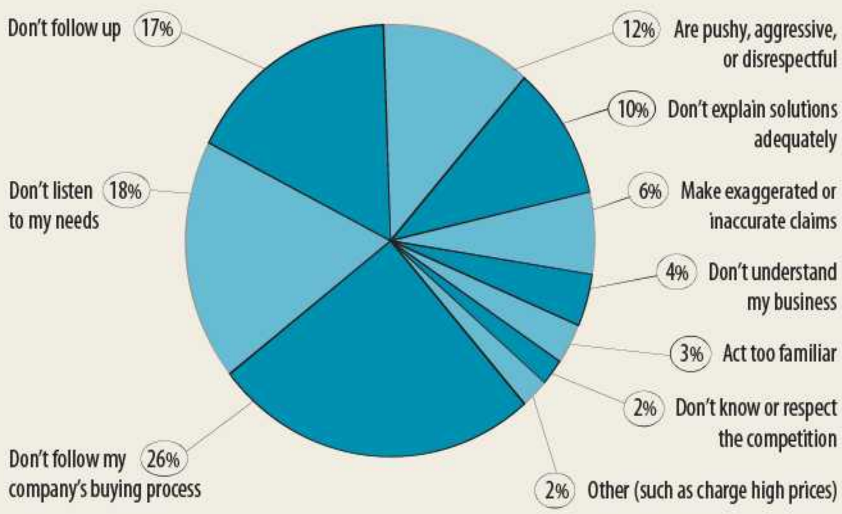
DATA POINT

Sales Reps' Biggest Mistakes

by TOM ATKINSON AND RON KOPROWSKI

What do customers really think about the salespeople who come through the door? To gauge customers' perceptions, we surveyed 138 customers responsible for making business-to-business purchases for large North American companies in many different industries. The pie chart below reveals a list of grievances, chief among them salespeople's failure to follow customers' buying processes and poor listening skills. Salespeople should ask themselves whether they are guilty of any of these behaviors – before they make the next call.

Salespeople…



Percentages indicate the proportion of customers that rated each mistake as sales reps' greatest.

TOM ATKINSON (*tom.atkinson@forum.com*) *is the research director, and* RON KOPROWSKI (*ron.koprowski@forum.com*) *is a senior vice president and the sales capability director, at the Forum Corporation in Boston.*

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Build the technology into the culture (and vice versa). Consult sales representatives in different regions before and during SFA rollout to determine their needs, gain feedback, provide training, and gather information about best practices. None of this will happen without strong executive support. At Harris, top executives made it clear that they would be using the tools, and they actively communicated with the organization about the plan and the challenges ahead.

Focus on value to the sales force before value to the firm. Successful companies first concentrate on delivering information to the field and only later emphasize visibility and continuity for the home office. At Harris, the early emphasis was on having salespeople track their own progress against individual targets rather than on management follow-up. While management does want visibility into the pipeline, that requires good information, which comes from the field. Reps are more likely to embrace the technology if they believe that it can help them sell effectively.

Make it mandatory. Use of SFA cannot be optional. A clear message has to be sent that the sales force must use the system. The explicit philosophy at Harris is, "If it's not in the SFA, it didn't happen." Not only is SFA a necessary tool for promoting visibility and customer continuity, it also forms the bedrock of the compensation system. If a sales rep has not tracked the opportunity through the system, he or she does not get a commission.

While SFA implementation means introducing a new technology, treating the process as a technical challenge all but guarantees that it will fail. Managers should instead approach it as a cultural and interpersonal tool whose success depends on salespeople's and other employees' acceptance.

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PERFORMANCE

Finding the Weak Links

by TOM ATKINSON AND RON KOPROWSKI

The job of sales has never been tougher as customers become increasingly sophisticated and demanding and the line separating products, services, and "solutions" blurs. How is sales doing in this complicated environment? And how could it do better?

To find out, we conducted the Forum Sales Effectiveness Study, in which we interviewed 111 senior sales executives in 96 major corporations across 17 industries around the world. All the companies had strong sales organizations. Forty-two of them were listed as "most admired" by *Fortune* magazine, and five were ranked among the top 15 sales forces by *Selling Power* magazine. We asked the executives to rate their sales forces' performance on a variety of metrics, including revenue, profitability, account development, and retention. We then asked them to rate their sales organization and describe in detail its management capability, the quality of its processes and systems, the sales force's skill, and the organizational culture.

The picture wasn't pretty. In general, the executives were underwhelmed by their sales forces' performance, even though their teams were reputedly among the world's best. On a ten-point scale, the executives gave their sales forces an average grade of 7, or about a C-minus. Roughly a third of sales executives rated their forces below 7, about a third ranked them between 7 and 7.9, roughly a quarter rated them between 8 and 8.9, and only a tenth gave their sales forces the equivalent of an A (9 or higher). This finding is consistent with other studies that show executives' lack of confidence in sales. (A 2004 Accenture survey, for example, found that out of 178 executives polled, 56% saw their sales force's performance as "average, worse than normal, or 'catastrophic.' ")

What made the difference for higher-performing sales forces? With the possible exception of their superior ability to find new customers, there was no single capability that gave high performers the edge. Rather, it was the sales functions' superior capabilities across the full spectrum of management, process, and skills that accounted for their achievement.

To improve their sales organizations, executives need to ensure that all components of the sales apparatus are high functioning and mutually reinforcing. Fixing one area while others lag won't help much. Pouring resources into finding new leads, for example, has little value if the organization can't hold on to them. Having managers who are good at motivating the staff won't pay off if they're poor at formulating strategy. The executives we interviewed found that the diagnostic tools used in the exhibit "Assessing Sales' Performance" helped them identify areas in need of attention. You will, too.

TOM ATKINSON *(tom.atkinson@forum.com) is the research director, and* RON KOPROWSKI *(ron.koprowski@forum.com) is a senior vice president and the sales capability director, at the Forum Corporation in Boston.*

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Assessing Sales' Performance

You can use the following capabilities assessment survey to compare your perceptions of your sales force's performance with those of your managers, salespeople, and customers; to identify significant performance gaps; to help set priorities for improving sales performance; and to gauge the overall effectiveness of your sales force relative to the 96 sales organizations we surveyed.

Few sales organizations gave themselves high marks on this survey. However, the tool can help even the best organizations improve by pointing to specific gaps in sales effectiveness. Look for patterns in your ratings. Note that weaknesses in one area may compromise strengths in another or undermine performance in general.

Add up your ratings for the 16 items below. Compare your total score to the scores in our study sample.

Salespeople's Capabilities	*Not effective*									*Extremely effective*
Finding customers (identifying and advancing sales opportunities through deep knowledge of products, services, and markets)	1	2	3	4	5	6	7	8	9	10
Winning customers (converting opportunities into closed business through planning and strategizing, identifying and meeting customer needs, and negotiation)	1	2	3	4	5	6	7	8	9	10
Keeping customers (cementing customer relationships by leading the account team, delivering solutions, and demonstrating results)	1	2	3	4	5	6	7	8	9	10
Sales Managers' Skills										
Strategizing (developing plans for growing the business)	1	2	3	4	5	6	7	8	9	10
Coaching (providing salespeople with clear direction, expectations, and feedback)	1	2	3	4	5	6	7	8	9	10
Motivating (eliciting highest performance through recognition and rewards)	1	2	3	4	5	6	7	8	9	10
Support Systems										
Recruiting and hiring capabilities (such as coming up with a process for identifying and attracting high-caliber talent)	1	2	3	4	5	6	7	8	9	10
Performance management systems (for establishing objectives and reviewing performance)	1	2	3	4	5	6	7	8	9	10
Opportunity management systems (for tracking opportunities from initial lead to closing the sale)	1	2	3	4	5	6	7	8	9	10
Strategic account management processes (for creating partnerships with key clients)	1	2	3	4	5	6	7	8	9	10
Information technology systems (such as customer relationship management systems)	1	2	3	4	5	6	7	8	9	10
Training and development systems (such as those for classroom or on-the-job training)	1	2	3	4	5	6	7	8	9	10
Sales Organization Climate	*Strongly disagree*									*Strongly agree*
Clarity (staff understands what is expected)	1	2	3	4	5	6	7	8	9	10
Commitment (staff is dedicated to achieving challenging goals)	1	2	3	4	5	6	7	8	9	10
Responsibility (staff takes initiative and requires little direction)	1	2	3	4	5	6	7	8	9	10
Recognition (staff knows that good work will be acknowledged and rewarded)	1	2	3	4	5	6	7	8	9	10

Total score for your sales organization:	
***Average for high-performing sales organizations:**	123
****Average for low-performing sales organizations:**	109

* Those in our study rated by their executives to be in the top third of surveyed organizations ** Those rated in the bottom two-thirds

HISTORY LESSON

Give Me That Old-Time Motivation

by WALTER A. FRIEDMAN

American business has a great tradition of salesmanship. Connecticut Yankees lugged tin pots and wooden clocks to remote farmhouses. Chevrolet dealers went door-to-door in their campaign to beat Ford in the 1920s. While tales of salesmen and their exploits are often recounted, far less attention is paid to the work of sales managers. Starting in the late nineteenth century, they carved up the nation into sales territories, assigned quotas, and set commission rates. They provided their sales forces with product descriptions and data. In looking for ways to measure the success of their teams' efforts, they counted leads, items sold, and revenues.

The most successful sales leaders also offered inspiration, enthusiasm, and an effective sales message. Selling the sales force – motivating it by giving it a clear mission – often proved tougher than selling the product. But the return on their efforts was good: Turnover rates stayed low, and performance remained high.

One of the early masters of motivation was John H. Patterson, who founded National Cash Register in 1884. Patterson was determined to create a force of white-collar representatives, removed from the ranks of peddlers and drummers. He urged his salesmen to wear good suits and to stay in the best hotels, and he lectured them on health and manners. He also gave them solid training in the use of the product.

Starting in 1906, salesmen who made their quotas were allowed to join the company's prestigious Hundred Point Club, whose members were rewarded with an all-expenses-paid trip to the factory and a prize of $150 in gold. Annual conventions lasted a week and featured talks by Patterson and the other officers of the company. At the factory, the "Hundred Pointers" were greeted with celebratory flags and posters and were cheered by NCR's thousands of employees.

Patterson also tried other tricks, including enlisting the help of the salesmen's wives. He ran contests in which salesmen competed for dining tables or china sets, and he invited the wives to come to the factory to see plays and hear lectures. Hanging on the walls were lists of things a wife could do to help her husband succeed, including instructions to "serve simple, well-cooked food," "see that he gets enough sleep," and "take a real interest in his sales record."

But Patterson believed that the best way to motivate salespeople was to give them an arsenal of meaningful sales arguments. In 1894, he inaugurated one of the nation's first company-run sales schools. The initial course lasted six weeks and covered basic retail accounting skills and methods of demonstrating the product. As the school grew, it added a mock grocery store and butcher shop. Sales recruits were required to describe to the "proprietors" why they needed to buy a cash register and what differentiated the NCR machine from its (usually less expensive) competitors.

Patterson was ahead of his time in realizing that the key to salesmanship was not in selling things – whether they were books, lightning rods, or cash registers – but in selling solutions. NCR agents were told never to push the product during their initial sales call but instead to ask questions about the way a shop owner kept receipts and monitored inventory; they could discuss the machine on the next call. The least effective agents, Patterson thought, were those who felt they had nothing practical to offer customers or who felt they had to rely on personality to close a sale. Better to find out what the customer needed.

Patterson was fanatical and autocratic (he consistently fired his best executives when they got too powerful). But his approach to sales management was tremendously influential. A remarkable number of former NCR employees became leaders at other concerns, including Charles F. Kettering and Richard H. Grant of General Motors and, most famously, Thomas Watson, Sr. IBM's blue-suited sales force owed a lot to NCR's early sales management strategies.

Things have changed since Patterson's time (he died in 1922), but leaders who know how to inspire are no less crucial to sales teams today. It's a message Microsoft's Steve Ballmer understands well: He ruptured a vocal cord during one of his enthusiastic exhortations of his sales force. IBM gets it, too: In 2003, it revived its annual One Hundred Percent Club celebration, which had been discontinued in the 1990s.

As Patterson grasped more than a century ago, however, if a sales force feels that its product is hard to distinguish from the competitor's or that the sales message is murky, exhortations won't help much. Patterson's techniques may seem quaint today, but his strategy is more relevant than ever: Teach recruits effective arguments, and work with veterans to keep sales messages current. Then, sell the sales force with everything you've got.

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Conversation

JOE GIRARD ON BECOMING THE WORLD'S GREATEST SALESPERSON

Love Your Customers

Born into poverty, Joe Girard sold 13,001 cars over the course of 15 years – not fleet sales but sales to individual car buyers. He holds the Guinness World Record for being the world's greatest salesman. In 1973, he sold 1,425 cars, and in one month, he sold 174 – a record that still stands today. HBR senior editor M. Ellen Peebles spoke with Girard about overcoming personal hardship and how he created thousands of relationships, one at a time. Now out of the car business, he speaks to people around the world about how to sell.

Most car salespeople sell four or five cars a month. You averaged six or more cars a day for years. How is that possible?

When you bought a car from me, you didn't get just a car. You got me. I would break my back to service a customer; I'd rather service a customer than sell another car. After a few years, there was pandemonium outside my office, there were so many people waiting to see me. So I started seeing people by appointment only. And the reason people were willing to wait a week for an appointment rather than go buy from someone else right away is because they knew that if they got a lemon, I would turn it into a peach.

People are sick to death of sitting around in service departments. When I was selling cars, my right-hand man could go to the service department while the customer's car was at the curb and get three or four mechanics to come right out with toolboxes and take care of the customer in 25 minutes. Sometimes they would install $15 or $20 worth of parts – a lot of money back then – and the customer would say, "How much do I owe you?"

"Nothing," I'd say. "I love you. Just come back."

You get service like that, where are you going to buy next time? That's what makes businesses big: word of mouth. If you create it, it'll make you. If you don't, it'll break you.

And the reason I could get the mechanics to come out right away is that I loved them, and I let them know. I made a deal with a nice Italian restaurant, and every third Wednesday I would take all of the service people to dinner – the people who wrote up the service orders, mechanics, the parts department, everyone. I would eat with them and tell them how much I appreciated them, how much I loved them. Once a year, I invited all the service people and their families over to a big barbecue at my house, to eat with me and my family. This is something that all executives should think about: There are service people in every company. They are the ones you wine and dine.

You say you love your customers. What if they aren't so likable?

It's like a marriage. You need to like each other. And if you treat people right, you will love them. I told my customers that I liked them, that I loved them, all the time. I would send a card every month with a different picture, a different greeting, and the card would say, "I like you." I would close a sale, and I would say to my customer, "I love you." I even gave them buttons that said "I like you." People may have had to wait for an appointment, but when I was with them, I was with them body and soul.

I grew up in the ghettos of Detroit. I started selling cars in 1963 at the age of 35. I was out of a job, had no savings, and was in serious debt after a failed home construction business, and my wife told me there was no food in the house to feed our children. I pleaded with a local car dealer for a desk and a phone and promised that I would not take business away from any of the other salespeople. I wore my finger black dialing a rotary phone trying to get leads, and that night, when all the other salesmen had gone home, I saw a customer walk in the door.

What I saw was a bag of groceries walking toward me. I literally got down on my hands and knees and begged, and I made my first sale. The customer said that with everything he had bought over the years – insurance, houses, cars – he had never seen anyone beg like that. Then I borrowed $10 from my boss against my commission and bought food for my family. So I appreciate every person who bought from me so much. I would tell them, "I thank you, and my family thanks you. I love you."

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*2005 Center for Automotive Research study. Includes direct, dealer and supplier employees, and jobs created through their spending.
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Toyota U.S. Operations	
Plants	10
Jobs	386,000*
Investment	$13B

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BY FRANK V. CESPEDES

Fusilier Technology's growth strategy has stalled, the head of sales is leaving, the sales force is in disarray. Is a brash outsider the cure?

OLD HAND OR NEW BLOOD?

BILL MACLEOD FELT RELIEVED WHEN the board meeting finally ended. It was one of the toughest sessions he could remember in his six years as Fusilier Technology's CEO. But that was hardly surprising, given the main item on the agenda: a review of why the company had lost the Chase Dynamics account.

The oil services company had been one of Fusilier's largest and most loyal customers. The deal was a whopper: a $40 million contract to make Chase's 23-country IT network state-of-the-art in security and enhanced cross-enterprise communication.

Elena Gonzalez, the veteran sales director responsible for the account, didn't exactly cover herself in glory during the meeting. When a few board members, led by Ed Zorthian, cross-examined her, she grew increasingly flustered.

Being grilled by a Silicon Valley legend like Zorthian, who had founded not one but two of the Valley's giants, Silicon Devices and Deximation, was understandably intimidating. And Gonzalez wasn't used to being in the hot seat. Over the years, her sales teams were consistently outstanding performers; they had never before lost a major account.

The loss of Chase was a blow to Fusilier, which was based in Mountain View, California. Its sales had been flat for five years. One reason was the general slowdown in IT spending. But there was another reason that worried MacLeod even more: The performance edge that Fusilier had long enjoyed in its core product categories was eroding, forcing it to compete increasingly on price.

The timing wasn't great for Gonzalez either, MacLeod mused. She was the leading internal candidate to succeed Mark Hartley as vice president of sales.

Gonzalez, an imposing woman with a warm, round face, defended the sales

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DANIEL VASCONCELLOS

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team responsible for the Chase account, but Zorthian wasn't buying it. "Elena, I don't understand how this could have happened given that we must have had a stronger relationship with Chase than Network Protect," he said, referring to the competitor that had landed the contract.

"We did," said Gonzalez. "I know that Paul Holmes, Chase's CIO, thinks highly of us. But Chase didn't leave this one to Paul and his crew in IT."

"What do you mean?" Zorthian asked, looking at her intently. He was a short, burly man with a balding crown and a tightly cropped gray beard.

"Well, it's my understanding that the marketing and finance folks pushed to go with Network Protect," she said. She explained that Marketing asked to weigh in because it was overhauling its customer relations management system. And Finance was in the process of upgrading its reporting systems in order to comply with the Sarbanes-Oxley requirements and to integrate financial reporting from Chase's foreign operations.

"Didn't you see that coming and get to Chase's marketing and finance people?" asked Morgan Kingley, a venture capitalist who had helped launch Fusilier in the mid-1980s.

"Of course," Gonzalez said defensively, pushing back a strand of her dark brown hair. "We even brought in consultants from our new professional services unit and two external software companies with expertise in CRM and SOX applications to address Chase's issues. Our proposal to Chase was one of the most ambitious we've ever made to sell solutions instead of product performance."

"Then what went wrong?" chimed in Joan Creeley, a Caltech engineering professor who had been a board member for many years.

"Two things, I guess," Gonzalez responded. "From what Paul Holmes told me, Network Protect did a better job of pulling together its capabilities and those of its business partners in its proposed solutions. They also pushed to be much more involved in the CRM and finance projects. Frankly, I now realize we should have courted the marketing and finance VPs much more than we did."

"Then why the heck didn't you?" Zorthian pushed.

"As I'm sure you can understand, we didn't feel comfortable doing an end run around Paul. He's been very good to us over the years."

"The longer you take to bite the bullet, the greater your organization's resistance will be."

Zorthian massaged the bridge of his signature pug nose but didn't say anything more during the rest of the inquisition, which continued for 30 minutes. MacLeod could tell there was plenty more on his mind. So the CEO wasn't surprised two days later when Zorthian called and invited him to go for a run in Shoreline Park that evening. They agreed to meet at the Boat House parking lot at 6 PM.

Accelerating Change

They ran about three miles and took a break at a spot overlooking the salt marshes. MacLeod loved the park at this time of the day, when the early evening sun turned the sky pinkish-orange and egrets and ibis skimmed the water looking for fish.

For a few minutes, while they caught their breath, they watched the birds in silence. They felt comfortable with each other even though they were hardly alike. Zorthian, a creative genius whose product designs and marketing savvy had transformed the consumer electronics industry, had a flamboyant personality. At age 62, he was on his fourth marriage and had six children.

A former Marine, MacLeod was 52 and, with his lanky build, looked even younger. He was still married to his college sweetheart; they had a daughter and a son and were content. Fusilier's founders, Mike Balestra and Bill Hermann, had recruited him to be vice president of finance and de facto COO in the early 1990s, when the company's sales were starting to take off. Balestra and Hermann knew that they needed someone to inject financial and process rigor into their young organization of innovative engineers. At the time, MacLeod had been the president of a division of Venerable Technologies, a Silicon Valley pioneer.

MacLeod organized Fusilier into P&L centers, each focused on a major product category. The culture of accountability and discipline that he had instilled had positioned the company to exploit the technology boom and rack up a decade of robust, profitable growth. The firm had become an industry leader and now had nearly $6 billion in sales and 10,000 employees.

While MacLeod knew plenty of folks in the Valley thought Zorthian was an obnoxious egotist, he appreciated Ed's stellar mind and his unvarnished advice. They had solidified their relationship six years ago, when MacLeod had steered Fusilier through its IPO. Balestra and Hermann had cashed out and left, and MacLeod had become CEO. He and Zorthian had begun their occasional runs together during the IPO.

One of the brown and white burrowing owls for which Shoreline Park was renowned swooped through the marsh grass a few feet from the two men, pursuing some prey. Mopping the sweat from his face with the edge of his gray T-shirt, Zorthian turned to business.

"So where do things stand in replacing Mark Hartley?" he asked.

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MacLeod had not been totally surprised when, three months ago, Hartley informed him of his decision to retire as soon as the company could replace him. Hartley was only 56. His battle with prostate cancer two years ago was the main reason, he explained. It had made his wife and him rethink things. Although Hartley hadn't said so, MacLeod suspected that the new strategy – to compete on the basis of selling solutions rather than superior product–was also a factor. Hartley had been politely skeptical of the solutions approach. Perhaps the real reason for the company's flat sales, Hartley had suggested, was that the product divisions had lost their edge and needed to be shaken up.

Zorthian reminded MacLeod that both of them had seen Hartley's departure as an opportunity to accelerate implementation of the new strategy. "Bill, I've learned over the years that the longer you take to bite the bullet, the greater your organization's resistance will be."

"Maybe we underestimated the magnitude of the necessary changes," MacLeod responded. "And the fact is, most of our customers are still IT managers who buy individual products for infrastructure needs. You're always reminding me that the smart monkey in the competitive jungle never lets go of one branch until he's grasped the next one."

"Yes," acknowledged Zorthian, standing up to resume the run. "But if the monkey doesn't move fast enough, the first branch might break off while he's still clinging to it."

New Strategy, New Requirements

For the first few years of the tech bust, Fusilier had preserved its profit margins by cutting costs through reengineering its supply chain, focusing its R&D budgets, and winnowing its product line. When it became apparent about two years ago that the company had exhausted these opportunities, the board encouraged the executive team to fundamentally rethink how the company could achieve profitable growth.

The result had been the integrated solutions strategy, announced throughout Fusilier with great fanfare 18 months ago. It was a radical departure from the traditional product-performance approach. It called for Fusilier to bundle its own consulting, hardware, and customized software as well as other vendors' products to serve the particular needs of users in areas such as marketing, sales, finance, and human resources.

Fusilier's market research department had found that a substantial number of the company's biggest customers were willing to pay a premium to a supplier that could provide such customized offerings to their operations around the globe. A consulting firm confirmed that finding but cautioned that Fusilier faced two major challenges: building relationships with executives beyond the IT department and getting Fusilier's disparate product and service units to work seamlessly with one another and the sales force.

With one exception, Fusilier was still largely organized into the P&L centers that MacLeod had created in his early days at the company. There were three main divisions: Data Center Products, which supplied components for servers and corporate Web sites; Network

Products, whose offerings were essential for data security and enhanced communications across a customer's geographical sites; and Services, which traditionally had consisted of maintenance and repair services.

The exception was Professional Services, a new consulting unit whose mission was to jump-start the solutions-centric sales approach with a handful of key global clients. To staff it, Fusilier had transferred 60 people from the divisions and had hired 40 more from outside the company. These consultants were expected to have a deep understanding of how Fusilier's product applications linked to business issues and to work closely with the sales force and product units both before and after a sale.

However, Sales would continue to own the customer relationship. It would have overall responsibility for designing and selling these new, tailored solutions and for pulling together the best Fusilier products and people from wherever they resided.

The consulting firm had spelled out the substantial changes that would be necessary for Sales to play this role. Traditionally, a salesperson's compensation had been based largely on his or her individual results. In the new world, the compensation system would have to reward the "solutions teams." Account managers' compensation would have to be redesigned to reward them for orchestrating this team effort and for building relationships beyond customers' IT departments. A longer sales cycle would also have to be factored into the equation.

In addition, Fusilier would have to reexamine training and the processes for deploying the sales force. Historically, sales training had focused on product features and cost-performance advantages–*not* on the business issues facing customers. The internal market had determined how the sales force was deployed: Product managers had competed fiercely for the attention of Sales, and salespeople had tended to specialize over the years. In the new world, salespeople needed to understand, promote, and select from the entire portfolio of products and services offered both by Fusilier and its business partners.

MacLeod had hoped that Professional Services and a transformed Sales division would serve as the vanguard for the new strategy. In the last 12 months, though, there had been troubling signs. Working with Human Resources, Hartley had appointed a task force to design a blueprint for overhauling incentives and training but had made little progress in acting on its proposed plan. Professional Services was still not meeting expectations. Its leader, Liz McGowan, had begun to complain regularly about a lack of support from the product and service units and much of the sales division.

"They don't really know what we do," she told MacLeod. "They resist changing prices or features for a specific deal. And too many in the sales force see us as their competitors." Indeed, a survey conducted by HR found that many in Sales resented the consultants and still didn't understand their role.

The notable exception was Gonzalez's staff, which seemed to be genuinely trying to change its ways of doing business and had scored some successes in selling solutions. "It's because of Elena's leadership," said McGowan. "She's persuaded them that the new strategy is the only way we can get back on a growth track and that they will all come out ahead in the end."

"Don't you think you'd need some time to familiarize yourself with the place before applying Machiavelli? And you wouldn't be *the* prince here."

Assessing the Risks

Back in the parking lot after the run, MacLeod relayed all this information to Zorthian. "Where do you stand with the candidates the executive recruiters produced?" Zorthian asked as the sun began to edge over the horizon.

"We've narrowed them down to one guy: Jon Shapiro from MegaLeap Technologies," MacLeod said. "What I like best about him is his experience working across organizational boundaries. He also seems to have a superb analytical mind. He's got a Stanford MBA and, for someone in his late thirties, has held a variety of interesting positions at a number of technology companies. He spent some years in marketing and then did strategic M&A, including post-merger integration for BD Technologies. He's been running international sales at MegaLeap for four years and, despite the industry slump, has built them into a power in Europe."

"Sounds like a winner," said Zorthian. "So you're leaning toward him?"

"Not exactly. I'm worried about how he'd fit in. He's brash. He's never worked in our business, so he doesn't know our products. He's jumped around quite a bit. And Fusilier isn't an easy place for outsiders. Hiring Shapiro may be just too big a risk."

"The biggest risk is inertia," Zorthian countered. "Do you really think Elena's got what it takes to lead the change?"

A Mover and Shaker

Ten days earlier, MacLeod and Peter Spokes, Fusilier's executive vice president and COO, had jointly interviewed Shapiro in the CEO's office, when they decided he was the best of the three outside finalists. They were struck by how passionately Shapiro advocated the solutions approach.

"Frankly, without it, you're dead," he told them. "Your business is commoditizing. Companies don't care about terabytes and gigaflops anymore. They want to know how you're going to help them outperform the competition, satisfy Wall Street, and meet all of the SEC's requirements. They want you to know their business needs and help them shrink their IT departments."

Shapiro had then cross-examined *them* about their business model, organization, customer relationships, and people. He was blunt in telling them that he was underwhelmed by their progress. "Sounds like you need someone who can shake things up. I suppose that's why you're looking outside," he said.

MacLeod felt his face reddening, but Shapiro didn't pick up on his body language. "I inherited a similar situation at MegaLeap," Shapiro said. "Our big multinational customers were demanding solutions to business issues and more coordination from our sales and product units. But the units just couldn't respond. So I cleaned house. I replaced all but one of our sales directors and overhauled the rules of the game for the sales force. In my first two years running International Sales, turnover among salespeople ran at nearly 30% annually. Yeah, it wasn't a happy place, but the results speak for themselves.

"Elena's a good administrator, but is she a strategist?"

"Machiavelli was right," he added. "When a prince needs to make a big change, he must do it quickly, before the forces of resistance can coalesce to stop it."

There was a moment of awkward silence.

"MegaLeap is much smaller than we are, and we've got some damn good people here," MacLeod said calmly. "Don't you think you'd need some time to familiarize yourself with the place before applying Machiavelli? And you wouldn't be *the* prince here. The product units wouldn't report to you."

"Of course," Shapiro said. "That just means internal selling is part of the job."

A Homegrown Superstar

MacLeod and Spokes discussed Gonzalez and Shapiro over lunch at the Cantankerous Fish on Castro Street. MacLeod had recruited Spokes from his old company, Venerable Technologies, shortly after Fusilier's IPO and highly valued his views.

As a waiter ground fresh pepper over his fish stew, Spokes said, "Shapiro would certainly shake things up. He explained the rationale and requirements of the integrated solutions strategy better than any of us. But how can we not give Elena the chance? She's earned it."

Gonzalez, who was 40, had joined Fusilier in the early 1990s in technical services. She moved from Phoenix, where she had worked for a computer services firm after graduating from Arizona State University. A down-to-earth people person, she had moved into Sales and had quickly been promoted to manager. Her teams' victories had become legends. More often than not, she had personally made the difference in closing crucial deals. Modest and self-effacing, she never grabbed the glory for herself. No wonder her people loved her. That said, they knew she didn't accept excuses when it came to meeting the quarterly numbers.

"We can help her do the stuff that Mark's avoided – like revamping compensation and training," Spokes said. "And let's not forget that some of our most important customers are her relationships."

"But virtually all of those relationships are with IT managers," MacLeod pointed out. "In addition, there's the question of whether Elena can make the tough choices that need to be made. Not everyone on the sales force can make it to the promised land. The same goes for customers: Unless we're smart about segmenting and targeting the right customers for this solutions approach, the SG&A costs will kill us. Elena's a good administrator, but is she a strategist?"

"I just don't know," Spokes conceded.

"Neither do I," MacLeod sighed, spearing another mussel.

What should Bill MacLeod do to put Fusilier back on a growth track? • Four commentators offer expert advice.

Whether Elena Gonzalez or Jon Shapiro is the right person to be vice president of sales is not the question that Fusilier's CEO and board should be asking. They first must address more fundamental problems with their markets, strategy, and leadership.

Bill MacLeod and the board of directors have fallen into a common trap for technology companies: reacting to a maturing market and growing price pressure by concluding that they need to add more value to their products by selling solutions. But in a maturing market, not all customers want or need solutions.

I don't sense that either Gonzalez or Shapiro has the qualifications to design and run a multichannel strategy.

The first step that Fusilier should take is to conduct an analysis of its markets. The company needs to segment customers by how and what they want to buy and then realign its sales channels accordingly.

Yes, some customers may want a vendor that can integrate its own and others' products and services to produce a business solution that can be implemented globally. To serve those customers, Fusilier needs a solutions-oriented sales force that is tightly aligned with the consulting organization.

However, my suspicion is that a lot of Fusilier's customers are *not* interested in buying solutions. In maturing markets, customers get pretty smart about assembling their own solutions. They don't need a value-added sales force. Instead, they want to buy products more cheaply and more easily. For these customers, Fusilier needs to drive the cost out of the sales process and make it easy for them to buy its products by using the Internet, telesales, or indirect channels like value-added resellers and distributors.

To lead the effort to segment its markets and reengineer its sales channels, I would bring in someone with experience building multiple channels in a maturing market. He or she should be an executive vice president of sales and marketing and should be on a par with the product divisions, if not higher.

I don't sense that either Gonzalez or Shapiro has the qualifications to design and run a multichannel strategy. There's probably a place for Gonzalez in the new sales organization: running the value-oriented, or solutions, sales group. She's good at the direct-selling model and knows how to lead a direct-sales organization.

I don't see a place for Shapiro. He would certainly shake things up, but he would drive off good people and could wreck the organization in the process. Moreover, he couldn't get through the first interview without offending MacLeod. How is he going to lead fundamental strategic change if he can't work effectively with the CEO?

In addition to analyzing the market, segmenting customers, and rethinking the strategy, MacLeod and his executive team have to do a much better job of leading the change effort than they have to date. Witness the internal resistance to the consulting group and the lack of cooperation of the product divisions. Organizational change starts with executive leadership creating a compelling reason to change and communicating it relentlessly. Without a compelling reason, organizations resist change. MacLeod and his team haven't sold the new strategy to their own people yet.

Equally important, MacLeod must consider revamping the power structure to sell solutions to the value-added customer segment. The product divisions have not been giving pricing flexibility to the people trying to sell solutions. That's not something the sales organization is going to fix on its own.

If MacLeod does not better understand his markets, fix the strategy, and forcefully lead the change, it will not matter whom he chooses to be the next vice president of sales. Lower-cost competitors will undercut Fusilier in the low end of the market, and better-organized competitors that can assemble solutions faster will beat it in the high end. Not only will the vice president of sales fail; so will the company.

WENDY WRAY

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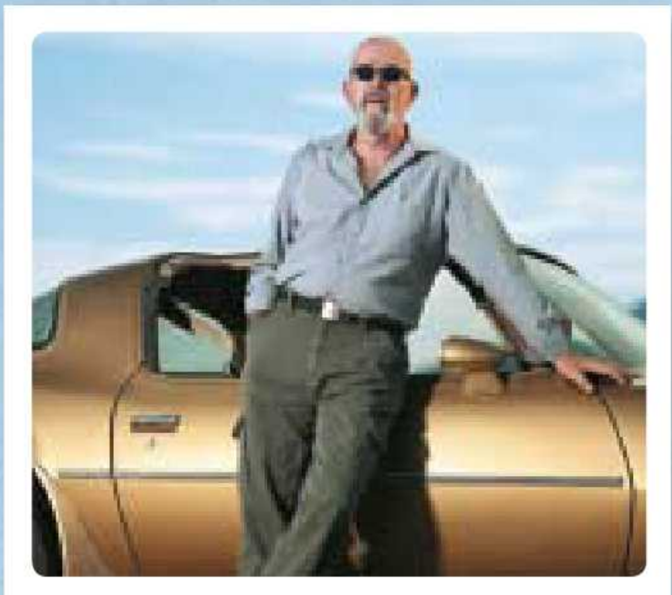

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Fusilier's failure to realign its incentive systems and training programs with its new strategy is no small part of what's going on here. If new skills, roles, and attitudes are necessary, you've got to alter those systems and programs at the outset – not 18 months after the strategy has been announced. No wonder there have been big problems: lack of support for Professional Services, people in the divisions refusing to change pricing, units competing rather than cooperating, and confusion about roles.

You can't blame Gonzalez for the new system not working when the basic steps to make the system work – as laid out in the consulting firm's study – haven't even been taken. For this reason, I would not hold the loss of the Chase Dynamics deal against her. It's not clear to me that she and her team should have known while trying to land the deal that they needed to court the marketing and finance people more than they did.

There are a number of reasons to give Gonzalez the chance to head sales. She's the personification of a great leader. Her sales teams have consistently been outstanding, and her deals are legendary. She's liked by her people but not because she's a panderer or glad-hander; she has demanded performance from them and gotten it. Even though the proper rewards and training haven't been put in place, her team has had some successes in selling solutions, and my guess is these successes are due to her personal style. She also appears to be a member of a minority group; that's another attractive feature.

Shapiro is not the type of manager I would want in my shop. Personal preferences aside, it would be premature to go with someone like him. Shapiro doesn't know the industry. In addition, it's clear that if hired, he would resort to his formula for success: He would use the excuse that revenues have been flat for five years to fire people and would be proud of it. Until you clean up the incentive systems and training, you can't know if people are up to the job. At this point, a heavy hand isn't what's required. You need patience.

Shapiro might be someone you'd bring in if you decided you needed a turnaround – if you'd taken all the right organizational steps and, after 18 months, were still making little headway. That could indicate the company has the wrong people and needs to clean house.

I'm also not convinced that Shapiro's experience in selling integrated solutions is a reason to consider him seriously at this point, because I'm not convinced that Fusilier's decision to adopt the integrated solutions strategy is the correct one. By the time it adopted the new strategy, sales had been flat for three or four years. At that point, the company certainly had to do something. But there's no evidence that the firm has any distinctive competence at selling integrated solutions – at selling systems rather than products. Just because Fusilier's market research department and the outside consultants identified the opportunity doesn't mean that it's right for the company. To quote Jack Welch, "If you don't have a competitive advantage, don't compete." Installing the right training and incentives programs alone will not provide a competitive advantage.

Let's not forget that MacLeod made Fusilier the benchmark in the industry by developing and selling superior products. At the very least, the company should reaffirm that it has made the right strategic choice. Maybe choosing between the old product strategy and the new solutions strategy is not an either/or decision. Or maybe there is more than one sweet spot.

Shapiro is not the type of manager I would want in my shop. Personal preferences aside, it would be premature to go with someone like him.

The key decision MacLeod should make is where he wants to retire once the board fires him! I say this for several reasons:

He has tolerated a vice president of sales who has been "politely skeptical" of the company's new solutions-based growth strategy. He is getting a series of not-so-subtle hints from his board that it's not happy and wants him to accelerate implementation of the new strategy. He wasn't personally involved in an unsuccessful effort to land a "whopper" deal with one of the company's largest customers. And now he seems nervous and reluctant to bring in a candidate who the board feels strongly could be part of the solution.

In my judgment, MacLeod must decide immediately whether he's really committed to the new growth strategy and needed organizational changes. Any successful change program starts with awareness of the need for the change and a willingness to act. My sense is that MacLeod is not quite there yet and is likely communicating some doubts and reservations that are, in effect, freezing the organization. If this continues, he may soon be getting more of Zorthian's "unvarnished advice": to step aside.

MacLeod needs to know exactly what the board's expectations are for revenue growth, profitability, and timing. It's important that he know just how much runway he has left to implement the strategy and what the board will consider a success. In addition, he needs a clear, compelling plan for communicating the business case for the new strategy throughout the company and for winning over veteran employees whose support will be critical.

Given the longer sales cycle and the organizational complexities required to deliver integrated solutions, it's doubtful that the company can afford to abandon its traditional product-based sales approach altogether. More likely, Fusilier will need sales from the traditional business to generate cash flow and help fund the new solutions strategy.

This means MacLeod won't have to choose between Gonzalez and Shapiro. He will need both. The company should retain a Product Sales and Services organization to serve traditional customers who are relatively price sensitive and still view IT as a commodity. Gonzalez sounds like the right person to run this, in large part because of her strong internal support and longtime customer relationships.

Concurrently, the company should form an Enterprise Sales and Services organization (made up primarily of people from the new Professional Services organization) to focus on customers who are less price sensitive and value end-user solutions. Shapiro sounds like the right leader for this group, assuming he can convince MacLeod that he fully appreciates the organizational complexities and leadership challenges inherent in a company much larger than his current employer.

To minimize the implementation risks to the firm, MacLeod needs to be absolutely sure both candidates buy into this new organizational model and can work together in a complementary, collaborative way. Now, during the interview process, is the right time for him to work through any concerns or reservations that Gonzales and Shapiro may have.

Now is also the perfect time for MacLeod to give each candidate an assignment to detail their objectives and proposed action plans for the first 90 days in their new jobs. These documents could produce some valuable insights and recommendations and ensure that all members of the new leadership team will be marching in the same direction. Moreover, the documents could assure the board that MacLeod is aggressively moving forward with a well-thought-out strategy for growth, a new organizational model, and the right leadership team.

MacLeod won't have to choose between Gonzalez and Shapiro. He will need both.

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The top priority for MacLeod is to refine the new strategy and fully understand what it will take for his organization to sell and deliver integrated solutions. Only after taking these steps can he identify the best person to succeed Mark Hartley.

MacLeod is concerned that a large number of existing customers may not be seeking integrated solutions. Zorthian, the outspoken board director, sees full implementation of the integrated solutions strategy as urgent. Their difference in views needs to be bridged by data. What is the revenue and profit potential of each segment? Exactly how much of a threat does price competition pose? Are there ways that Fusilier could reclaim its traditional position as a supplier of products with a clear-cut cost-performance advantage?

Once MacLeod and his team confirm that the integrated solutions strategy is the right one, the next step is to understand exactly why the organization is having so much trouble implementing it. A good place to begin is with a thorough "autopsy without blame" of the lost Chase Dynamics deal. The senior team should scrutinize the roles of *all* the units, not just Sales. For example, exactly what role did Professional Services play in the Chase pitch? How could Sales and Professional Services have worked together more effectively? It sounds like Hartley and MacLeod were not involved in the pitch. Could they have helped win over Chase's senior executives? Did Network Protect have specific skills and knowledge that Fusilier lacked that may have influenced the outcome?

Such a postmortem will provide valuable insights into the specific challenges and obstacles impeding the execution of the strategy. It will help Fusilier get on with the task of redesigning the compensation systems, training, and organizational structure.

Only after Fusilier has refined the strategy and clarified the tactics and resources required to implement it should MacLeod turn to the task of picking a new head of Sales. Only then can he know the prerequisite skills, leadership style, and track record.

If MacLeod decides that he does need a change agent, I'm skeptical that Shapiro is the right man for the job. It's going to take time to implement an ambitious new strategy, and it sounds like Shapiro is constantly looking for his next big opportunity. Then there's the question of whether MacLeod and Shapiro share the same values. MacLeod cares about people and doesn't view them as commodities. It's difficult to see how he could work effectively with a ruthless housecleaner like Shapiro, who sounds like he would generate more conflict than cooperation.

If MacLeod decides that a radical shake-up of the Sales organization is not in order, Gonzalez is a less risky choice to replace Hartley. She has demonstrated her commitment to Fusilier and has a proven track record. She has the respect of the Sales organization and knowledge of and relationships with the other areas of the company that Shapiro does not possess. She builds bridges and knows how to build teams. All these qualities will help in the implementation of the integrated solutions strategy.

The person who should be leading the organizational changes is not the new head of sales. It's Bill MacLeod.

But the person who should be leading the organizational changes is not the new head of sales. It's Bill MacLeod. After all, the new strategy is a business strategy, not a sales strategy. MacLeod has to exhibit stronger leadership in engaging the entire company in the change program than he has to date. It's the CEO's job to instill a sense of urgency in the organization and to encourage and demand the cooperation of managers in that effort.

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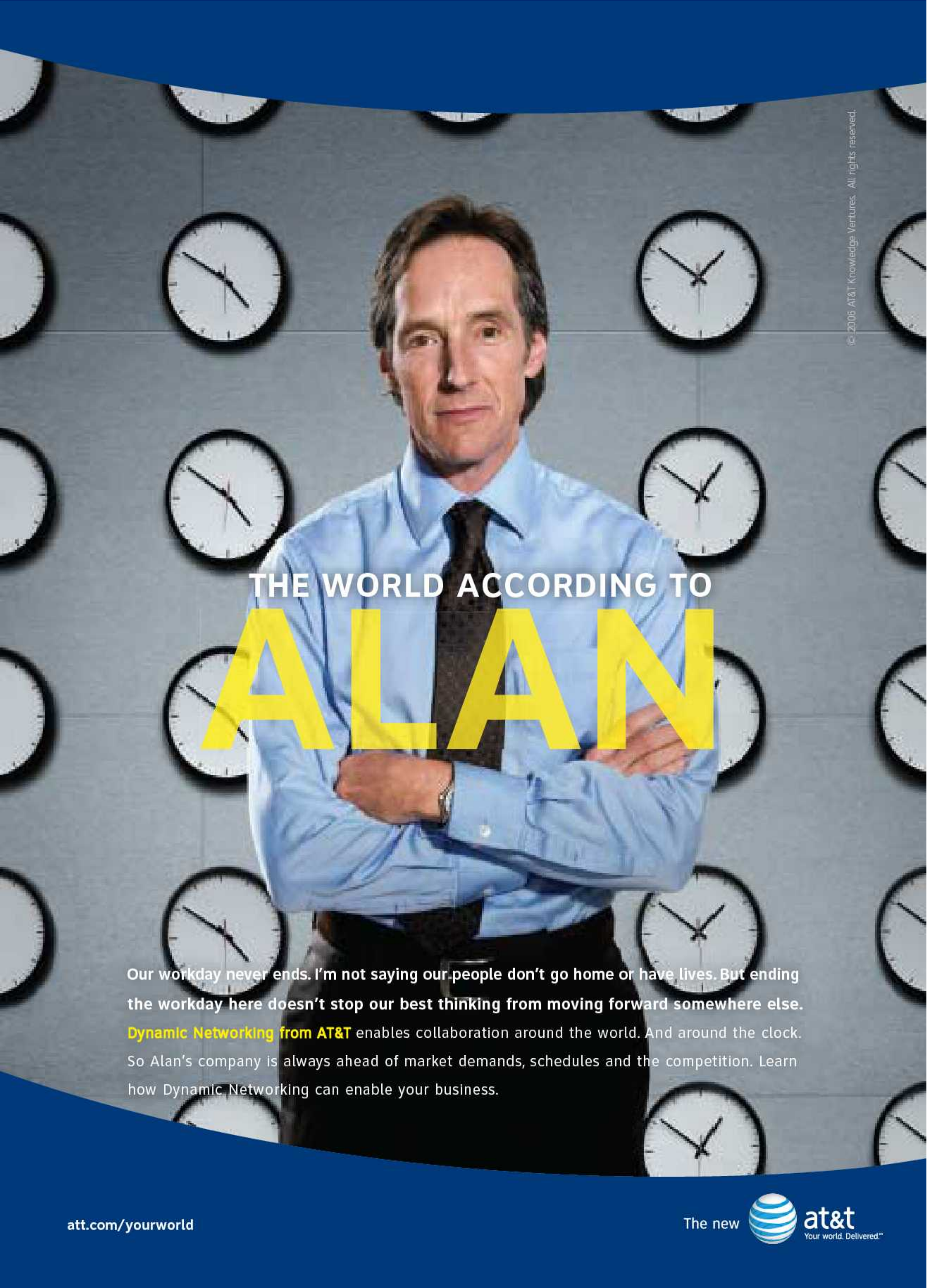
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EVAN KAFKA

Your best salespeople may hear "no" a dozen times before someone says "yes"–and yet thrive. By understanding what keeps them going, you can uncover better ways to lead and motivate them.

LEVERAGING THE PSYCHOLOGY OF THE SALESPERSON

A Conversation with Psychologist and Anthropologist G. Clotaire Rapaille

THERE'S SOMETHING ABOUT SALES that fascinates us. We have to admire the salesperson's endless resilience in the face of constant rejection, his certainty that things will work out in the end. At the same time, we're repelled by the job because of what it does to the people in it. Everyone is familiar with the play *Death of a Salesman,* which portrays a well-meaning man broken by the hollowness of his work. Dramas such as *Glengarry Glen Ross* present an even

bleaker picture, in which success seems to require moral capitulation.

Just what type of person goes into sales, and how do salespeople cope with the job? For insight into these questions, senior editor Diane Coutu approached the psychologist, anthropologist, and marketing guru G. Clotaire Rapaille, who is well placed to comment. Rapaille holds a master's degree in political science, one in psychology, and a doctorate in medical anthropology from the University of Paris–Sorbonne. He worked as a psychoanalyst for ten years in France, using both the Freudian and Jungian approaches.

Rapaille researches the impact of culture on business and markets; he has written several books that explore the cultural significance of everyday products such as shampoo, coffee, cars, and toilet paper. Most recently, he has published *The Culture Code*. His work has attracted the interest of some of the world's largest companies. Rapaille lists the likes of Citibank, DuPont, Exxon Mobil, General Electric, IBM, Procter & Gamble, and Unilever among his consulting relationships. He helps organizations understand how to operate in a global environment, where different cultural norms are increasingly coming into conflict with one another. As Rapaille points out, the Western businessperson will better understand a Japanese partner if he knows that the Japanese have more than ten words for "quality," each with a distinct meaning.

What follows is culled from the transcript of HBR's interview with Rapaille at his home in Tuxedo Park, New York. During the course of a wide-ranging conversation, Rapaille explained his theories about culture and the psychology of sales. Salespeople, he believes, are essentially the same whatever culture you are in, although there are obviously some local variations. They are "Happy Losers," he says – people who actually relish rejection and look for jobs that provide them with opportunities to be rejected. That, of course, has implications for the ways you should motivate and manage them.

Salespeople are never going to be an endangered species. There will always be people who enjoy and want this job, just as there will always be addicted gamblers.

What exactly do you do for a living?

I study archetypes, the underlying patterns in psychology that enable us to understand the human condition. Carl Jung was the first psychiatrist to investigate them. Although I use them somewhat differently, I share Jung's belief that archetypes can be analyzed.

How do archetypes affect us, and what do they reveal?

An archetype preconditions how we respond to our biology – birth, death, sex, and so forth. There are variations from culture to culture, as well. Cultural archetypes appear in religions, dreams, and the arts. They drive our myths and epics as well as basic rituals such as cleaning and eating habits.

Not surprisingly, many cultural archetypes cut across different societies. The Hero is a common one, as are the Seductress and the Witch. Typically, archetypes are so deeply embedded in a culture that people are unaware of them. Just as we can speak a language without understanding its grammar, so too we can function in a culture without a conscious awareness of its prevailing archetypes.

Each culture has a pool of shared archetypes that guide the behaviors of its members – a collective unconscious, if you will. Companies consult me in an attempt to decipher the collective unconscious of their customers, employees, and stakeholders. My background is well suited for this. When I was a psychoanalyst, I worked with autistic children. I constantly had to decode what they were telling me because they had trouble putting their thoughts and feelings into words.

What have archetypes got to do with sales?

They are the essence of sales. The art of selling is complicated in every nation, but it is always influenced by collective experience.

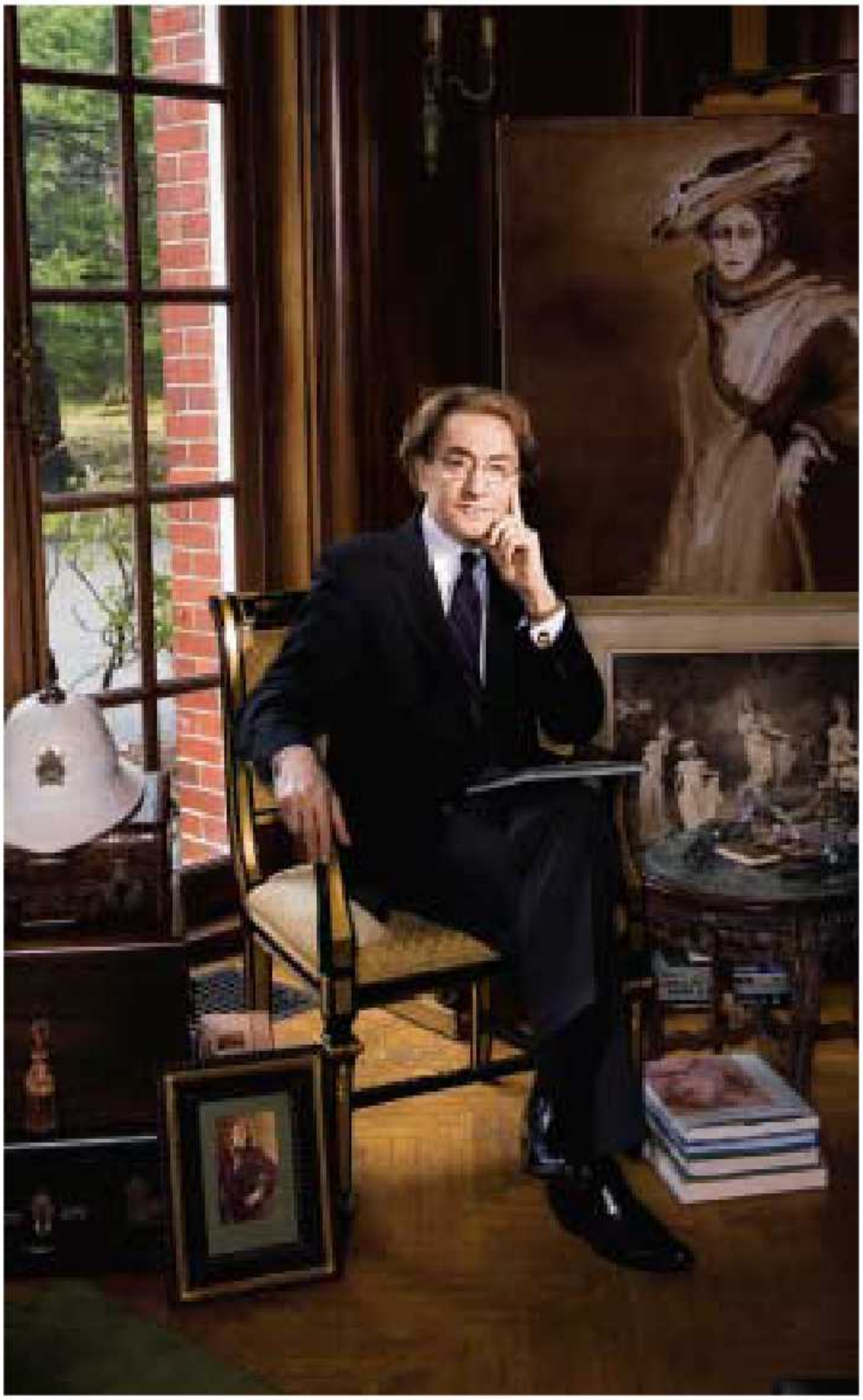
I remember working many years ago with a business unit at AT&T before the company split up. The unit produced cables, and one of its clients was Nippon Telegraph and Telephone in Japan. NTT ordered some cables and gave AT&T a list of specifications. Before AT&T shipped the order, it made sure that all of the specifications were met. But when the cables arrived, the Japanese took one look and rejected them. Their explanation was that the cables were ugly. The Americans were dumbfounded. They had met all the specifications, and beauty had not been one of them. The Americans were particularly confused because the cables would be buried underground and no one would ever see them. But for the Japanese, aesthetics is an archetype of quality and, ultimately, of soul. Just look at their calligraphy, the exquisite ceremony that they put into pouring a pot of tea, the care they put into presenting food. To NTT, the ugliness of the cables was an indication of how little soul AT&T had put into its work.

When I first moved to Japan on a scholarship from UNESCO, I went to see a sensei, a master, who was going to teach me to paint. I dressed in special clothes and meticulously prepared my ink, brush, and paper. The sensei asked me whether I was ready, and I said I was. "Then close your eyes and wait for the perfect picture," he said. "You may have to wait five or six years, but once you have the perfect picture inside, you'll do it right." Imagine American customers waiting five or six years for the perfect picture. It's never going to happen. Americans simply don't think this way. The people at Nike captured the American archetype of quality perfectly with the slogan "Just Do It" – and look at its success.

It sounds as though archetypes are cultural rather than biological.

They're both – like language, to which archetypes are closely related. Language is innate; it is hardwired. To be human is to speak. But think about the fact that there is no word for "intimacy" in Japanese. This is cultural, not biological, and it has centuries of history behind it. Japan is a very small and dense country; people are forced to live close together. Because privacy is very rare, so is intimacy, and the language reflects this fact.

When you learn any language, you learn more than words – you learn a way of looking at the world. In this sense, language is not only a means of communication but also a way of defining realities. It's not insignificant, I think, that the Japanese also have many ways to say "I," depending on whether the speaker is talking to a spouse, a child, or a boss. In a hierarchical culture where space is so limited, the language reflects the need for everyone to know his or her place. Everyone in the Japanese culture understands this. The Eskimos have at least 20 ways to say "snow," which is not surprising, given the environment in which they live. In some cultures, a dolphin is a fish. In others, it's a mammal. If it's a fish, our main concern may be how to cook it. If it's a mammal, our concern may be how to teach it communication and language skills. Language organizes the world into different categories. But the process is so shaped by both nature and nurture that we're not even aware of the influence it has on how we look at the world.



Is there a universal archetype of the salesperson?

All archetypes differ according to culture, but some aspects of the archetype are universal. Consider, for example, the Warrior. This archetype may manifest itself in Japan as a samurai and in the United States as a cowboy, but in both cultures, the Warrior is a fighter who takes on society and wins.

Similarly, although manifestations of the Salesperson archetype vary from culture to culture, there is an "ur-archetype," if you will. Salespeople are Happy Losers. Whether they know it or not, they are like addicted gamblers; they are after the thrill. On some level, addicted gamblers know that they are going to lose most of the time, but they are excited by the outside chance of winning. Salespeople share that temperament. They are pros at losing. They are rejected at least 90% of the time, I'd say. Why would anyone choose that job? For the chase. I assure you, salespeople are never going to be an endangered species. There will always be people who enjoy and want this job, just as there will always be addicted gamblers.

Are there any exceptions?

No. Whatever your culture, you cannot be a salesperson without losing most of the time, so the successful ones have to be those who are happy when they lose. They don't develop low self-esteem or lose hope or get destroyed by the losses. Look at Donald Trump. At the high point of his career, he was on the covers of dozens of magazines. Then he came tumbling down, but he dusted himself off and came right back. He is the prime example of a good salesman, though in his case he is his own product. Trump is a Happy Loser.

How does a manager handle these Happy Losers?

It's all connected to the excitement of losing so much of the time. Managers can't "sell" salespeople on the idea that they will always win. First of all, their salespeople wouldn't believe them. Second, the job would become less appealing.

The way to manage your sales reps is to show them that you understand how hard it is to lose. You want them to be happy – otherwise, they'd be Unhappy Losers, and that's the last thing you need. Obviously, money is not an unimportant factor in managing a sales force. In the right industry, salespeople can make a million dollars in a single year. But my research shows that money is not what really drives them to get back in there and keep trying. It's the value they place on the struggle. Good salesmanship is a lot like foxhunting. Who cares about the fox? Sometimes there are 100 people on 100 horses following 200 dogs. Hunters keep running all day. They fall from their horses and break their legs. At the end of the day, they do not even catch the fox, but it was a great hunt.

To motivate your sales reps, therefore, you have to find better and more ways for them to struggle. Give them bigger projects where they can have even bigger losses. Hold huge company meetings where you give a salesperson the gold medal of rejection: Jonathan sold 500,000 computers last month, but he was rejected 5 million times! It may sound ludicrous, but this is the way to get fire in the belly of your sales force – particularly in America, where beating the odds is highly prized.

Can you give an example of how cultural interpretations of the archetype affect sales?

Just look at the differences between American and French attitudes toward selling. In America, salesmanship is a game and a pleasure; it's respected. In France, being a salesman is low class; it's crass. You've got to remember that the very concept of work is beneath the French. What is one of the most popular books in France? *Bonjour paresse* [Hello Laziness], by Corinne Maier. It's about how to pretend to be working while in fact you are doing nothing. Only the French could invent something like that. In America, you're nobody if you do not work. In France, you have to beg merchants to take your money, and even then they may not take it.

Let me give you an example from my own experience. I was in Nicaragua as a diplomat many years ago, and the Nicaraguan airlines were going to buy Caravelle planes from France. I served as a go-between. The process was amazing. First of all, none of the instructions were translated into Spanish, so if you couldn't read French, you wouldn't know how to operate the machines. Second, the French assumed that the Nicaraguans would know everything about French business practices. I had lunch one day with people representing the two sides. At a certain point, the French rep said, "If you want engines, you'll have to go see Rolls-Royce." I remember the astonishment of the Nicaraguan: "You mean, you're selling me airplanes, but there are no engines?" The Frenchman was blasé: "The whole world knows we don't make engines. Where have you been?" Of course, the sale didn't go through.

This type of behavior is why outsiders often think that French people are rude. But they're not rude – they just operate according to different cultural archetypes. In France, money is vulgar because the culture tells you that you should give things to people. You don't sell, and you don't buy. There are several expressions in French that suggest that the ultimate value is not in money. For example, *L'argent ne fait pas le bonheur* [Money does not make happiness]. You don't sell what you have for celebrity or money. You just let it exist for its own sake. This is so French, and it's great. But it does mean that there is little room for sales or negotiation.

Are there archetype differences across industries?

Very much so. With beauty products, for example, it often helps to understand the archetype of the Great Mother, the nurturer of children. So P&G sells one of its most successful hair care lines, Pantene, by promoting nutrition. Women have to feed their hair, nurture it. Pantene, in other words, appeals to the maternal instinct in women. But to sell perfume, you have to appeal to the Seductress. You have to understand women's desire to be attractive, their need to be wanted, their fear of aging. Salespeople who appreciate this archetype can get women to pay $3,000 for three bottles of perfume that you can make for $3. Salespeople who don't understand the archetype will be lucky to sell a bottle of Chanel No. 5 for more than 30 cents.

In pharmaceutical companies, the key archetype is different again. Sales reps

The way to manage your sales reps is to show them that you understand how hard it is to lose.

have to persuade doctors to prescribe certain drugs. The Internet has made this task more complicated because patients these days often know more than the doctor. Physicians hate this, and it's by playing on that feeling that good salespeople can win the hearts and souls of doctors. Obviously, they must give doctors more information so that the physicians can display their greater intelligence to their patients, but the real challenge is to understand the doctors' pain. Medical doctors today feel that they cannot be doctors anymore. It's not only the Internet; it's the government, too. Medicine has become one great bureaucracy, and doctors hate that as well. So the good sales rep treats the doctor as the Wise Old Man who saves lives, not the bureaucrat he has in fact become.

How do you decode archetypes?

For the past 25 years, I have studied cultural forces worldwide for major corporations whose main purpose is to sell products or services. In doing so, I have developed a process that allows us to see cultural archetypes for selling shampoo in Japan, toilet paper in the United States, money in Canada, or cheese in France.

I use the same process when it comes to understanding salespeople for companies such as MetLife and DaimlerChrysler. I get together a cross section of consumers from various cultures and backgrounds for a very nontraditional experience. It begins with a series of freewheeling three-hour interactions. First, I ask the consumers what they think of salespeople. This first hour is just a purge; it's a washout session. I hear all the intellectual responses, all the clichés: "You can't trust salesmen. All they want to do is cheat you." That's the rational part of the brain, and it doesn't interest me much. Next comes the emotional part of the experiment, when I ask people to tell me short stories about salespeople. This allows them to connect with their feelings and sets the mood for the third hour, which is the most productive. I dim the lights, put on hypnotic music, and ask people to jot down memories of salespeople that are evoked by the music. Writers often do this sort of thing as an exercise. They scribble down their thoughts for a half hour in the morning, right after they've woken up, in an effort to connect with the world of their fantasies and dreams. In these workshops, anonymity is respected, and there is no pressure. Some people fall asleep, but most record their mental imprints of salespeople.

Hold huge company meetings where you give a salesperson the gold medal of rejection. It may sound ludicrous, but this is the way to get fire in the belly of your sales force.

What is a mental imprint, and how is it related to an archetype?

The mental imprint is the result of a learning process that takes place early in life and establishes an unconscious behavior pattern. For example, my first imprint of cheese was my mother buying some Camembert, poking it and smelling it to find one with a good "heart." Still, today, for me, a good cheese is not one that is pasteurized but rather a cheese that is warm and alive and has a ripe smell. On a more scientific level, experiments show that if a wooden box with wheels is shown to a newly hatched duckling at a critical time, the duckling will form an attachment to that object, taking it for its biological mother.

Beyond a certain time period, it is difficult to imprint. First experiences are very powerful. Each one creates a mental highway in the nervous system, and afterward, we use this pathway or chain of neurons in the brain. The more we learn about trauma, for example, the more we see this pattern. People can't forget a terrible experience; there is a compulsion to repeat it. The same is true for early experiences generally. On some level, what we learn in our early days stays with us forever.

In my work, I try to get people to go back to their first experience of a salesperson because the imprints point to the archetype. Think of an archetype as the sun, which you cannot look at directly because it is too strong. The mental imprints are like a pair of sunglasses that you put on to let you look at the sun without damaging your vision. It's mental imprints that led me to the archetype of salespeople as Happy Losers.

How can you verify whether your archetypes are right?

It's not just an impressive clientele that substantiates my work, and it's not biologically based research. When I get a laugh, I know I'm onto something. I'll often comment about salespeople as Happy Losers, and everyone chuckles spontaneously, reacting with gut feeling. Or when I'm speaking about America, for example, I'll point out that it is a country that is intensely mobile and yet one that invests highly in the concept of "home." What is one of the most popular American films of all time? *The Wizard of Oz,* where Dorothy tells us over and over, "There's no place like home." And who doesn't know the line "E.T. phone home"? I point out that America is also the only country in the world where people buy mobile homes that never move. And people laugh. When this happens again and again, this pattern of repetition becomes, in its own right, verification.

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To order, see page 191.

BY BARRY TRAILER AND JIM DICKIE

Patterns of customer behavior have changed. Today, consumers may be well along in their buying process before you get the first whiff of a lead. Consequently, sales organizations should redesign – and in some ways reinvent – the selling process.

UNDERSTANDING WHAT YOUR SALES MANAGER IS UP AGAINST

FOR THE PAST 12 YEARS, we have conducted an annual survey of chief sales officers – the executives in charge of their companies' selling efforts. One purpose is to understand what challenges their sales organizations are up against and how those challenges are shifting over time. The 1,275 responses to our 2006 survey indicate an acceleration of trends established over the past several years. Across industries, the selling context has changed, buyers are behaving differently, and the work required of the sales organization is becoming more difficult.

Let's start with the fact that 85% of companies report increases in their product-line breadth, product complexity, *and* participation in new markets. The impact on the sales organization comes in many forms. It takes longer to get a new salesperson up to full productivity: 62% of companies report a ramp-up period of more than seven months. The percentage has risen in each of the past four years, but it made its most dramatic one-year jump from 2005 to 2006. The quotas being assigned to salespeople have also gone up substantially. While this is to be expected, given the rebound in the world's major economies, we were surprised at the level of change – an almost 20% increase, on average, from 2005 to 2006. Meanwhile, sales reps have less help in meeting their goals. The ratios of sales support personnel to sales reps and of sales managers to sales reps both widened.

Somehow, even with such higher demands, quota attainment has not suffered – 58% of reps made their quotas in 2005, and 59% in 2006. But various conversion metrics suggest this increased production is the result of just that much more hard work. For example, the past several years have seen declines in

MICK WIGGINS

the percentages of leads resulting in initial meetings, initial meetings leading to formal presentations, and presentations resulting in sales. The past year alone saw a 5% to 8% decline in these metrics–a big step backward in productivity. (See the exhibit "More Work, Less to Show for It.")

These figures are symptomatic of the more than 100 sales-performance metrics we asked about. Not every metric shows deterioration, but it's hard to imagine anyone concluding from our data that sales has become an easier job.

Diverging Cycles

In-depth interviews with sales executives help to clarify why the data are trending as they are. In the broadest sense, it's because the buyer's cycle has become decoupled from the seller's. Buyers have always had a buy cycle, starting at the point they perceive a need. Sellers have always had a sales cycle, starting at the point they spot a prospect. It used to be that these were in sync, either because the seller created the buyer's perception of need or because the only way for buyers to pursue their desire was to contact a salesperson (frequently for product information). Now, the buy cycle is often well under way before the seller is even aware there is a cycle.

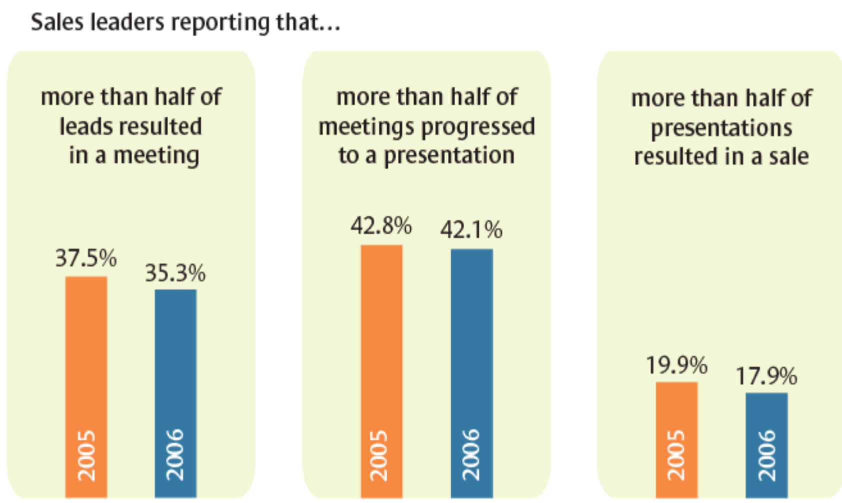
One doesn't have to look far for evidence that this is so. As part of a recent speaking engagement, we asked for a show of hands: How many people had bought a car in the past two years? About a third of the delegates had. We asked them to leave their hands up if they went to the Web for information on cars before they communicated with a dealership. Virtually every hand stayed up. The same finding shows up more scientifically in study after study, in both business-to-consumer and business-to-business commerce. Clearly, the tables have turned on negotiating power, and the advantage of information asymmetry is now the buyer's.

This is profoundly disruptive because sales reps used to live, more than almost anyone in a business, on the knowledge they held in their binders. They were the keepers of the data sheets, reference lists, white papers, and price lists. Whether the customer was a home owner trying to scope out the insurance he needed, a manager comparing commercial databases, or a space shuttle engineer specifying a transformer by weight and performance in certain temperatures–all used to require direct discussions with a vendor's sales rep, and sometimes over extended periods. Today, the information is available on the Web, not just from sellers but from other buyers and third parties. The three tasks we just named and countless others can be accomplished via the Internet in the time it took to write (if not read) this section of our article.

So sales forces find themselves in a challenging spot. Their reps arrive late to the party and must be prepared to respond to a deeply informed line of questioning – and that's if they get to the party at all. We benchmarked a plastics manufacturer that posted over 10,000 pages of product information on its Web site. Soon after, its head of sales noted a troubling deterioration in its lead conversion rate and hired an outside firm to discover the cause. Interviews with prospects who never bought from the manufacturer showed that many of them felt so well informed by the online information, they didn't see the need for an in-person or phone meeting with a company rep. Meanwhile, competitors, typically with no product superiority and certainly no Web advantage, swept in and walked off with the sales. Ease of access to the product information had actually turned into a barrier for the company that provided it.

More Work, Less to Show for It

Sales is a numbers game: Given a quantity of leads, salespeople will convert only so many into meetings. Some percentage of those meetings will progress to formal presentations. And some fraction of those presentations will yield sales. Our survey data show all those numbers looking worse in 2006 versus 2005, continuing a trend of several years' deterioration. The net effect is that it now takes many more leads – and much more work – to win the same amount of business.



Elusive Decision Makers

Another deep trend behind the sales productivity downturn has to do with changes in how buyers make decisions. Salespeople have long been versed in the concept of the "economic decision maker" – that single individual, particularly in a large deal, who holds ultimate responsibility for the decision to buy. But such individuals are a vanishing breed. Replacing them are committees or multiple layers of approval all equally important to the decision to move ahead. This is partly why the length of the average sales cycle keeps increasing. In our 2004 and 2005 surveys, approximately 18% of the companies reported sales cycles of seven or more months. This year, that figure approached 25%.

On the opposite end of the curve, only 42% of companies in the 2006 survey stated that their sales cycle was three months or less, compared with 51% in 2005. At the same time, the number of calls salespeople have to make before a decision is made has risen over the past four years. Our interviews underscored that these are not more calls on the same people; they are more calls on more people, as deals require more levels of sign-off and the support of more stakeholders.

Priorities and Plans

Part of our survey's aim is to understand the challenges sales leaders face, but the more valuable part is to discover how they are responding to these challenges, and what actions yield positive results.

As they plan initiatives for the next 12 months, sales executives are focusing their investments as shown in the exhibit "Top Sales-Management Priorities for 2006."

It comes as no surprise to us that lead generation is by far the top priority. Two benchmarking studies we conducted in the second half of 2005 underscored this finding. Both highlighted the importance of increasing campaign response rates, improving the hit rate in converting initial leads to qualified prospects, and making the most of leads when they are generated. All the needles are pointing in the same direction – toward reinventing how to get the attention of potential buyers.

For a salesperson, a steady stream of worthy leads is practically nirvana. Right now, our survey shows, about 20% of salespeople's time is spent on prospecting. The value of freeing up some of that time for pursuing already-defined opportunities is obvious. Also, when the flow of leads is more robust, the qualification of those leads tends

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to be more rigorous; the candidates that do make it into the sales pipeline tend to have shorter sales cycles, higher contributions to profits, fewer complications, and higher customer-satisfaction ratings.

This raises the question: What makes a qualified lead? For too many salespeople, the answer remains: anyone who can fog a mirror. Their bosses are hoping that better sales-talent management, more disciplined processes, and evolving technologies can put a finer point on things.

Depth of a Salesman

Sales executives understand that the new selling context has real implications for how they hire, train, manage, coach, and retain salespeople. Sales reps must now be able to dive deep, answering specific technical questions, and fly high, providing purchase-justification arguments, solid business cases, and assessments of overall performance impact. They must provide more nuanced application knowledge and be able to "unhook" some of what buyers believe they know without alienating them.

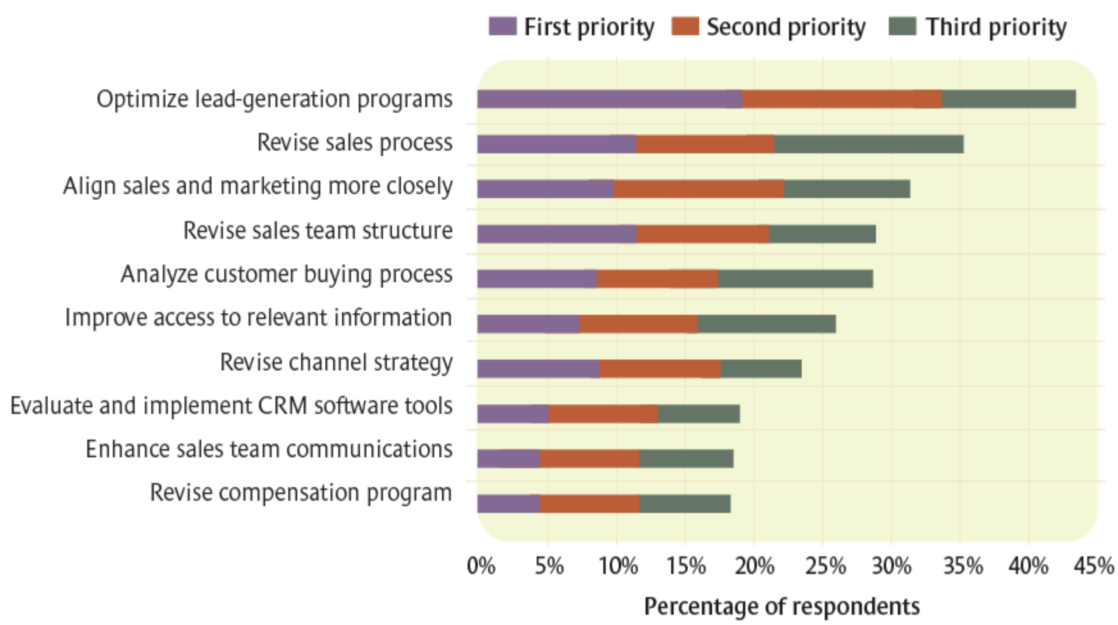
The pressure to raise the salesperson's game is all the more intense because, when customers don't perceive any added value from their interaction with a seller, the buying process can shift dramatically. Executives at a computer hardware manufacturer told us that for one of their product lines, over 36% of 2005 sales came through "reverse auctions" – those race-to-the-bottom exercises where the customer says it will buy a certain number of units, and vendors with comparable products bid the price down to close the deal.

The good news is that companies' planned investments in training are up this year – and most of those resources will go beyond building the product expertise that has been the salesperson's traditional contribution. Many management thinkers before us have outlined the levels through which sellers must ascend in their customer relationships. We see this as a four-step progression: from vendor to preferred seller, then to consultant, then to contributor, and finally to partner. Each advancement pays off handsomely in increased credibility, access, margins, and repeat business – and decreased competition, price sensitivity, and sales-cycle length. But consider what's required of the sales force to achieve that progression. While a vendor needs only a good product or service, a preferred seller must have a higher level of understanding of how the seller will use it and what functionality is required. A consultant must understand a customer's business, a contributor must understand the customer's industry, and a partner must understand the customer's particular organizational issues. The shortage of salespeople knowledgeable and talented enough to attain those upper levels will become even more acute in the coming year, as our survey indicates an overall increase in net-new hiring. (See the exhibit "Sales Forces Will Grow.")

The right attitude. As sales executives make these new hires, they tell us they are on the lookout for reps who are, or are willing to be, process oriented. We'll discuss what it means to be process oriented in the next section, but for now let us share a basic piece of advice: Run, don't walk, from any candidates who say, "Look, if I don't make my

Top Sales-Management Priorities for 2006

We asked sales executives what areas they were targeting for improvement in 2006. More than anything else, better lead generation is their goal. This makes sense given that lead conversion rates have suffered. The more a salesperson can rely on a good lead-generation program, the less time she has to spend on low-return cold-calling.



numbers, you can fire me." They are expressly telling you they are not open to inspection or to the notion of continuous improvement.

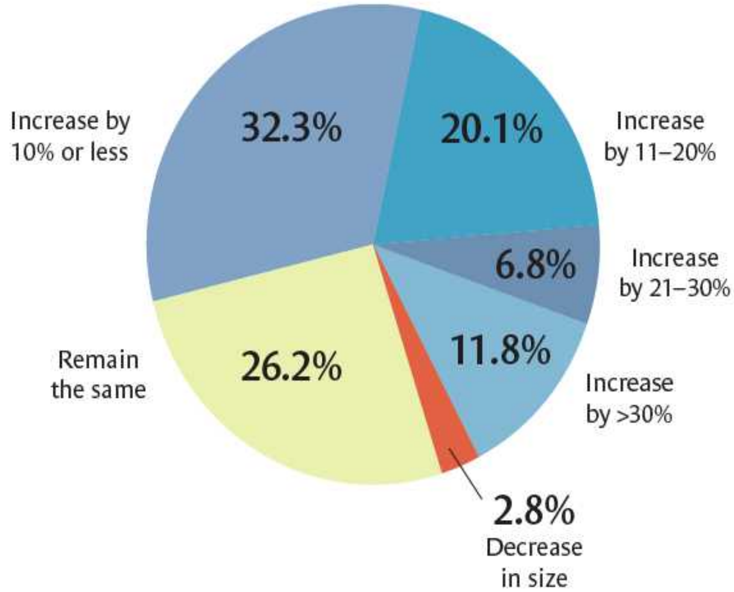
But candidates aside, even some of your top producers currently on board may have this attitude, as well as another counterproductive impulse: "Nobody talks to my clients without me." For many years and in many ways, sales reps have fought to "own" their accounts and essentially broker customer relationships. All communication was through the sales rep, and exactly who was (or was not) involved in the dialogue on the buyer's side was often kept secret. Today, however, it's vital that a sales rep act as a facilitator between the two organizations, marrying up peer-to-peer discussions. So how do you change the hoarding behavior?

First, recognize that your reps are holding their accounts as bargaining chips. Then, reflect on why they feel the need to do so. If they were to foster communication between the company and their accounts, would the culture reward them? Or would it ask, "Since we're the ones doing the work of having all these conversations, why are we paying this guy so much?" Similar behaviors arise when companies roll out technology solutions like customer relationship management (CRM) systems and discover what a hurdle they face in user adoption. Sales reps think to themselves, "Hmm. If you know who I'm calling, have all their contact info, know the last time we talked and what we talked about…" Human nature tends to finish the thought with the worst fear: "…then you don't need me anymore." Again, because reps feel the need for bargaining chips, they withhold information and knowledge.

Time in position. The expected increase in the number of new hires in 2006 – and the experienced reps being targeted – should also serve as a warning. Smart sales executives are putting programs and policies in place to retain their best talent. Doing so has clear advantages. Our survey indicates that the greater the average tenure of the sales staff, the higher the percentage of reps making quota, the higher the average deal size, and the shorter the average sales cycle.

Sales Forces Will Grow

Hold on to your best reps – more than two-thirds of our 2006 survey respondents said they were planning to increase the size of their sales forces.



This year, we benchmarked several companies that were focusing on sales staff retention. For example, a publishing firm has a program that allows the top 10% of its reps (based on the previous year's performance) to hire their own administrative people for the coming year and bill the firm for the expense. This makes these stars even more productive and has brought their turnover rate down to 0%. A software firm is working to make sales a true life-cycle profession. Its new job structures allow salespeople to progress as individual contributors, as opposed to going into management to advance their careers. Other companies are motivating their sales support staff to stay in their jobs, too. One technology company, in the course of conducting customer satisfaction reviews, found that clients' ratings were often directly related to the tenure of technical support people working on their accounts. The company's compensation system, however, was encouraging those tech reps to move into other jobs, in development, technical marketing, or training. The firm changed that system by providing financial incentives for tech reps to continue working within established client relationships.

Eighty-five percent of companies report increases in their product-line breadth, product complexity, *and* participation in new markets.

Process Prowess

Among sales management priorities, revising the sales process isn't far behind the top priority of generating more leads. But having a process is not the same as using a process. In our 2006 survey, 39% of respondents said that less than half of their sales force regularly uses the process the company has laid out as its standard, and another 31% said the standard process is followed by fewer than three-quarters of their reps. Having worked with many sales organizations, we've come to believe there are four levels of process prowess.

• *Level 1 companies* may be perceived as being antiprocess, though what they really lack is a single standard process. Everyone does his own thing his own way. Being Level 1 does not mean a company is unsuccessful, but it does mean it is unpredictable.

• *Level 2 companies* expect their salespeople to follow a process, but use isn't monitored or measured. This describes nearly half of the firms in our survey.

• *Level 3 companies* typically enforce use of a standard process, sometimes religiously, but because their monitoring strictly looks backward, they are still susceptible to miscues and missteps in a constantly changing market.

• *Level 4 companies* dynamically monitor and provide feedback on reps' use of the standard process. These organizations modify the process when they detect even minor changes in market conditions.

Level 4 companies are rare, but we found that they are formidable competitors – especially when they have also implemented CRM systems. As shown in the exhibit "Process Pays Off," their performance ratings tend to be much higher than those of the rest of the survey population.

Buyers have a process, too. While a surprising number of companies do not formalize their sales processes, those that do typically define the seller's steps in the process. We suggest that companies go even further and keep track of the actions required of *buyers.* Such actions might include explaining why the opportunity is critical, outlining timing and budget, identifying key buying influences, offering to make introductions, and detailing purchasing and approval processes.

Why bother? As a seller, every step in the selling process is yours to make; it may seem like you control virtually all the actions. But there's one exception: You can't close the opportunity by yourself. Therefore, the truest test of your progress toward successfully closing a deal (and thus a more accurate basis for forecasting) is what the buyer is doing to advance the sale. The actions taken on the purchasing side to move a deal forward are worth defining and tracking.

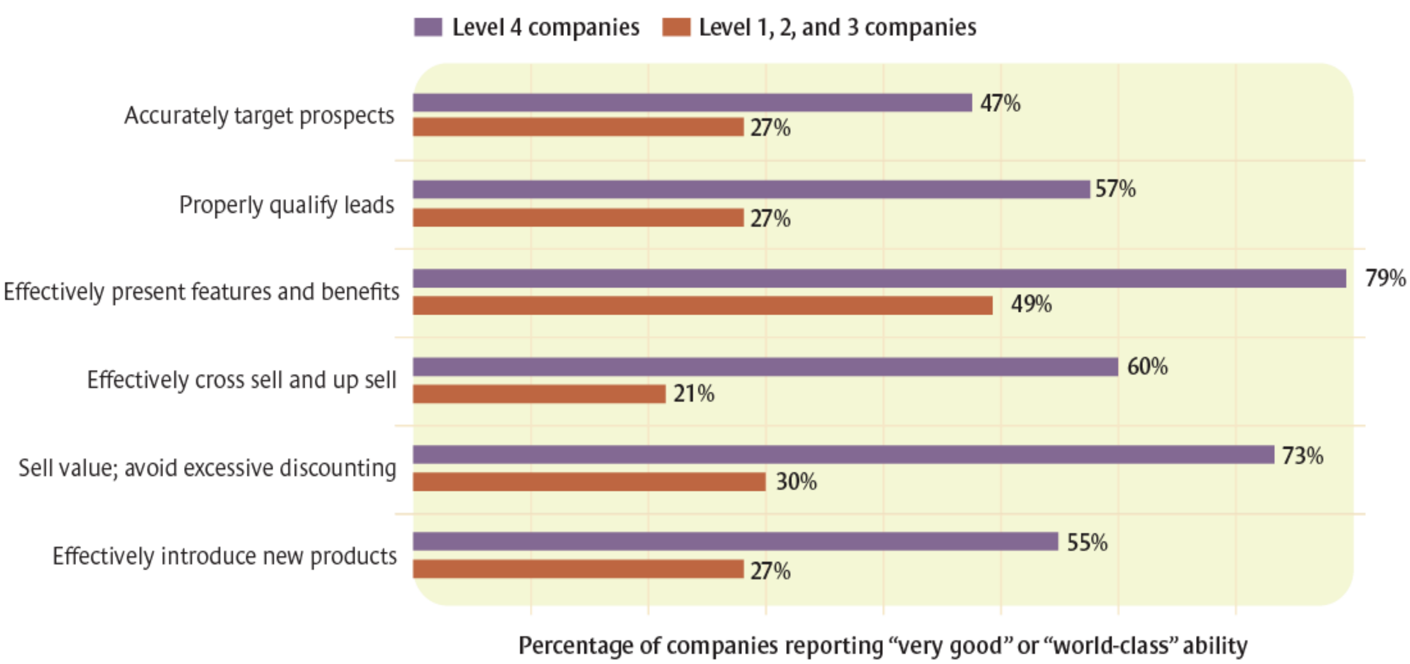
Marketing kicks off the sales cycle. Third on the list of sales executives' priorities is to align sales and marketing more closely. Again, thanks to the wealth of online information available today, buyers are conducting early and detailed investigations before contacting any seller. So the first sales response is most likely not in sales' hands but in marketing's, where Web site responsibility most often falls. Other approaches like telemarketing and marketing portals create even more overlap as both functions inform prospects and qualify them. Where a clear boundary once existed between the two areas, things have now become blurred.

As a result, the sales force needs to be much more aware of marketing's activities and better communicate its own. Prospects and customers have a remarkably low tolerance for having to repeat themselves or to sit through repetitive presentations, especially when they have already taken the time to inform themselves of a seller's product and service capabilities.

For many sellers, the chief benefit of closer alignment between these two

Process Pays Off

We asked survey respondents about their sales organizations' performance along six important dimensions. Separately, we assessed each company's capabilities in sales process management. Note the huge performance differential between the organizations we found to be at Level 4 in their process prowess and the rest of the pack.



functions will be a better flow of information around leads. Salespeople constantly complain to marketing that there aren't enough leads. Marketing typically responds by asking, "What happened to the leads we gave you?" Every lead has a life, and there's no reason the status of each should not be known by both groups. And this, conveniently, brings us to the topic of technology.

Technology and Knowledge

Starting with the first contact management programs, evolving to sales force automation, and eventually morphing into customer relationship management, countless hours and dollars have gone into applying technology to sales. Early efforts focused primarily on efficiency improvements – doing things faster. Today's efforts focus more on effectiveness – doing things better. Our survey indicates new investment will be concentrated in CRM applications, sales knowledge management resources (including subscriptions to information-mining services, internal document-management portals, and internal tools for sharing best practices), and collaboration through technology (for instance, Web-based meetings, instant-messaging capabilities, and computer-delivered training). Just as important, we learned from current users of these applications that they are becoming easier to install and manage and that end-user adoption rates are rising.

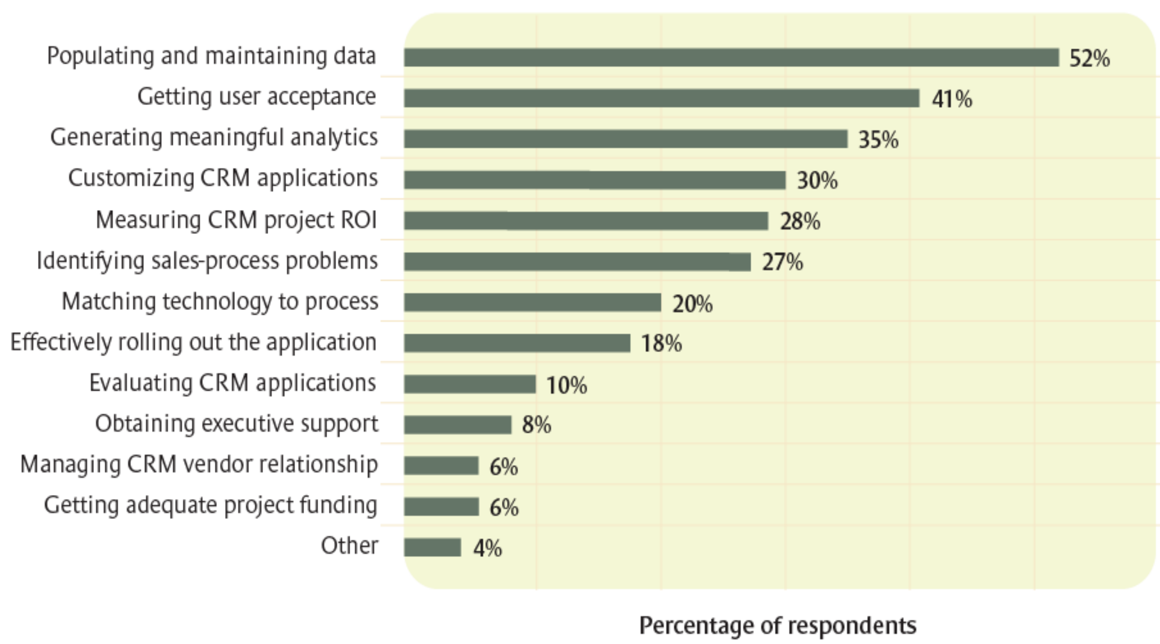
By far the most common use of CRM today is contact management. Salespeople are most interested in having a contact database, a calendar function, e-mail, and integration with document templates. CRM's early breakthroughs– like the ability to generate a form letter drawing on designated fields and formatted with no extra spaces– now seem quaint. Today, CRM's automated processes usher contacts through predetermined paths using branching logic (for example, if no response to last mailing, send letter B; if contacted by phone, send letter D), literature fulfillment, and more.

Still, most of these functions are focused only on efficiency. Many of the very latest features, specifically analytics and dashboards (like graphical displays of data), are making processes more effective. They allow sales leadership to monitor things like aging reports for opportunities in the pipeline for longer than the mean cycle time; opportunities that have jumped several process steps, then stalled out; fallout patterns (steps at which opportunities have dropped from the pipeline); and prospect-quality ratings. How many metrics can be ginned up (think baseball fans' love of inconsequential stats) isn't as important as how many of them are leading indicators of future sales performance.

The established order remains: Get your process straight, then automate. Determine first what the high leverage points are (for example, sharing best practices, increasing order accuracy, and following up on marketing campaigns effectively) and then prioritize them. Most of what has been captured and stored in call reports, forecasts, win/loss reports, and CRM systems is data. And most of this is not useful because histor-

Where CRM Falls Short

A customer relationship management system is only as good as the data it draws on. So perhaps it's no surprise that the demands of populating a large-scale database and keeping it up-to-date constitute the biggest challenge in CRM projects. Progress on that front would no doubt address the second greatest hurdle: getting salespeople to use the system. Indeed, the two go hand in hand.



ically there was no well-defined process behind the data creation to ensure consistency. (See the exhibit "Where CRM Falls Short.") If you doubt this, consider how a typical sales manager responds to a set of reps' forecasts. His or her first reaction is to think, "I know that Ted's 60% is different from Suzie's 60%, which is different from Jim's 60%."

Having a process in place that defines what 60% means and that, with managerial oversight, is uniformly and correctly applied provides the basis for solid *data.* Having an application–be it business intelligence, data-mining tools, or analytic capabilities built into the CRM application – to grind through those data produces *information.* Categorizing and storing this information so that it is both accessible and actionable leads to *knowledge.* Creating a culture that rewards sharing and recognizes contribution brings all these components together to produce a competitive sales and marketing organization.

In our 2006 survey, 39% of respondents said that less than half of their sales force regularly uses the process the company has laid out as its standard.

The Art of Selling

We often follow up with companies where we have conducted formal sales training. In one such company, we had equipped the salespeople with a form to use in their work. The form tied together several concepts taught in the course and, by doing so, could quickly reveal the strengths and weaknesses of a given sales opportunity. On our return, we discovered that their use of the form was not exactly rigorous. The vice president of sales hedged a bit, saying, "We're not religious about using the form. I mean, we tend to use it on bigger deals....Some reps use it more than others...."

Rather than simply rehash the concepts, we asked the sales reps to go through their files and desk drawers and find any forms that had been completed during campaigns that year. Thirty reps managed to produce a few forms each. Our instructions were simple: "These forms are your equivalent of game films. Together, they cover nearly a hundred deals you pursued this year. Divide them up into wins and losses and look at them. Figure out what they're trying to tell you."

We share this story because the "films" taught us something. Unbelievably, between deals won and lost, there was no difference in what we thought was a key metric: the reps' success in getting to the top decision maker. However, in those deals that had been won, reps had early on and continuously made clear that they wanted and were trying to get to that decision maker, and they had articulated why that was important. It appeared that their clear and ongoing efforts to get to the decision maker produced positive pressure on the outcome of those deals even though, in many cases, the reps never actually got to that key individual.

For two sales experts who have spent years gathering data, it was one of those counterintuitive findings that keeps the job interesting. It was tempting to fall back on that classic conclusion – that selling is a science, except when it is an art. But we know that the best selling is now highly automated and process oriented, and that careful measurement produces insight and continuous improvement. And so another temptation prevailed: Here was a fresh hypothesis about selling. Given sufficient data, we could test it.

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A people-ready
business bets
on its most
important asset.
Every one of them.

HARRY CAMPBELL

How Right Should the Customer Be?

Strategy suffers and execution fails when companies don't help salespeople manage the tension between serving the customer and serving the company. A holistic sales force control system can improve alignment and results.

by Erin Anderson
and Vincent Onyemah

Every one of your salespeople will tell you that the customer is king. Sometimes, they'll mean it, and that's usually a good thing. If you press them, your salespeople may even tell you that the district or regional manager is king, and that's not necessarily a bad thing either. The problems come when your salespeople aren't quite sure who their boss is. Their confusion could be a sign that your company's sales force controls–the various policies and practices that define the way you manage your sales team–are in conflict with one another.

In researching sales and sales force dynamics over two decades, we've found that this misalignment invariably creates problems in sales functions. As salespeople struggle to resolve or work around the conflicts within the system, the consequences mount–first affecting individuals, then spreading to the entire sales force, and eventually hobbling the whole organization. Over time, the sales force begins losing its best people. Turnover rates soar. One European multinational we studied had lost half its salespeople in its home market every year for five years. Even if a company isn't in such obviously dire straits, it may still be leaving a lot of money on the table.

Our statistical study of more than 2,500 salespeople working in 38 countries for 50 companies suggests there are significant, often overlooked, differences between management systems that encourage salespeople to put the customer first and those that encourage sales reps to put their district or regional managers first. In the following pages, we'll describe the potential fallout from conflicts within your sales force management system, and we'll explain how you can tell which kind of control system is appropriate for your company's strategy, competitive environment, capabilities, and time horizon.

Few firms should be turning over wholesale control of their salespeople to just the customer or just the sales manager. There needs to be a balance of power.

A Tale of Two Cultures

The culture and effectiveness of any sales force are products of its management system: the rules that govern the way a company trains, monitors, supervises, motivates, and evaluates salespeople. The system signals, in a continuous and more-or-less automatic way, what management expects from its sales team. It conveys to salespeople which trade-offs the company would prefer them to make when the inevitable conflicts arise between what they want to do (spend lots of time and money to get a sale) and what they actually can do (utilize limited resources and still get the sale). The system also affects the way sales reps perceive business challenges, how they think and feel about their roles, how they go about their jobs, and what kinds of indicators they focus on.

All sales force management systems have eight basic components. Among these are the degree of management's intervention in daily sales activities, the types of compensation offered to salespeople, and the number and types of criteria managers use to evaluate salespeople's performance. (For a complete list, see the exhibit "Who's Calling the Shots?") The policies and practices that make up each component can be placed somewhere on a continuum between systems that encourage sales reps to put the customer first – what we call outcome control (OC) systems – and those that get them to put the district or regional manager first–what we call behavior control (BC) systems. Companies that rely on OC systems focus on getting salespeople to deliver certain kinds of results and are essentially indifferent to how those results are obtained. By contrast, firms that rely on BC systems value *how* people make sales more than the number of sales they make.

OC systems: The customer is king. Companies with outcome control systems measure and reward results – the outcomes of sales reps' interactions with customers. These results can take many forms: sales, margins, contributions to profit, share of customer wallet, market share, sales of new products, repeat business, on-time collection of receivables, and so forth. Companies tend to emphasize and track only a few of these results. Firms with OC systems typically tie salespeople's compensation closely to two or three key metrics, and a substantial portion of each salesperson's compensation is determined by customers' behavior.

Salespeople at OC firms enjoy considerable autonomy and are expected to use it. The company sees them as entrepreneurs who craft and execute personal strategies to find and land their customers. The reps place more importance on pleasing their customers than on pleasing their managers. They will always take the customer's side in negotiating with the company because that relationship will always be more important for them. The employer is simply an income-producing entity, and, as a result, salespeople at OC firms are likely to switch to any employer who offers a more promising pay package and better products to sell.

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Who's Calling the Shots?

The policies and practices that make up a sales force control system can be categorized into eight components. These reflect the key questions senior management needs to ask about the way it conducts its sales business. How management answers can help determine whether it employs an outcome control system, a behavior control system, or some combination of the two.

System Component	Customers call the shots: Outcome Control	Managers call the shots: Behavior Control
1. **Focus of performance criteria.** Does management value how sales results are achieved (the effort expended) or simply the results themselves (the outcomes)?	Managers pay particular attention to bottom-line results.	Managers pay particular attention to the methods used to achieve outcomes.
2. **Number of performance criteria.** Does management judge salespeople using only two or three factors, or does it look at a dozen or more metrics?	Management evaluates a salesperson's performance according to a few observable metrics, primarily those controlled by the customer.	Management evaluates a salesperson's performance subjectively, using many criteria.
3. **Degree of management intervention.** Who makes the final decision on important issues related to sales assignments, the salesperson or the manager?	Managers offer relatively little supervision. Salespeople make final decisions.	Managers offer relatively heavy supervision and make final decisions.
4. **Frequency of contact.** Are interactions between salespeople and management easy to enact?	Managers and salespeople have little to no contact.	Managers and salespeople are frequently and extensively in contact.
5. **Degree of management monitoring.** Does management show serious interest in salespeople's call and activity reports, or are these just a bureaucratic requirement?	Management rarely monitors its sales staff.	Management constantly monitors its sales staff.
6. **Amount of coaching offered.** Does management suggest ways that salespeople can improve their selling skills and abilities?	Managers offer little to no coaching.	Managers offer frequent, heavy coaching.
7. **Transparency of evaluation criteria.** How objective, clear, and precise are evaluations at the company?	Evaluation criteria are very transparent.	Evaluation criteria are opaque.
8. **Compensation scheme.** Is the paycheck based largely on variable compensation triggered by outcomes? Or does it have a large salary component with a performance bonus driven by management's judgments?	A salesperson's compensation is mostly variable, keyed to customer-generated results.	A salesperson's compensation is mostly fixed, keyed to salary and management's evaluations.

Managers in OC systems are few and stretched thin, often because they are expected to generate their own sales as well as supervise. They often have minimal contact with their salespeople. In fact, they don't really manage their staffs in the traditional sense. Instead, they negotiate with their direct reports, seeking to convince them that what management wants is in the best interests of the sales team.

The culture in OC firms is competitive. When a sales rep makes a big sale, everyone knows it. Rewards are tangible – something the neighbors and mothers-in-law can see. This includes money, of course, but also trips, cars, merchandise, expense account lifestyles, and symbols of recognition such as plaques, trophies, or pictures in the company newsletter. Salespeople in these systems have no qualms about showing off their rewards because they know they may not always have them. If results fall off, they pay the price.

BC systems: The manager is king. Companies with BC systems evaluate and reward what salespeople bring to the job. Management measures what salespeople *actually* do – their efforts, activities, hours, expenses, and the like. It measures what salespeople *can* do (theoretically, at least) – their knowledge, skills, competencies, and aptitudes. And it measures what salespeople *are* – their appearance, hygiene, education, age, and so on. Sales managers at BC firms also rely on a plethora of performance criteria, many of them subjective (How attractive is this salesperson?) or difficult to observe (How good are her closing abilities?). Indeed, the evaluation standards are often opaque, and the managers themselves may not be sure just how they apply them. The bulk of compensation in BC companies is fixed (capped salaries), and the variable component is tied to the attitudes, behaviors, and competencies that management prizes.

Because performance evaluations and compensation are inextricably linked in BC systems, sales managers' words of guidance aren't all that different from their explicit directives. Salespeople in BC firms are attentive to any and all management cues. They talk about what the company wants, expects, and rewards – and what it will want, expect, and reward in the future. It's clear that, at some level, somebody is worrying about the numbers. But in the here and now, salespeople focus on, demand, do, and become whatever they think their first-line supervisors will work into their performance evaluations.

While salespeople at BC firms care about tangible, visible acknowledgements, much of their motivation rests on intrinsic rewards such as feelings of achievement, personal growth, and self-worth derived from solving problems, and the satisfaction of offering good service. Factors such as collegiality, training, potential for promotion, and office perks matter to them. And while sales reps in BC systems take the customer's side to some extent, they readily understand that the company must capture its fair share of value.

Of course, the two control systems are at extremes, and many companies function quite well somewhere in the middle, where the power of the manager and the power of the customer are in some sort of balance. Indeed, this is where most sales forces should be. Few firms should be turning over wholesale control of their salespeople to just the customer or just the sales manager.

Maintaining the balance, however, is difficult because people have a natural tendency to work toward the extreme that suits them. Over time, a company's most experienced, successful salespeople will generally push for an outcome control orientation – especially for OC-style compensation. They deliver results, and they know these results will usually trump the sales manager's concerns in the eyes of that manager's own boss. For their part, sales managers have a natural tendency toward empire building and want more obedience from their salespeople, so they will naturally push for a behavior control system. They will probably insist that salespeople involve them more in the selling process, hand in reports on sales calls, and so forth.

Your Sales Force Is Misaligned – Why Haven't You Noticed?

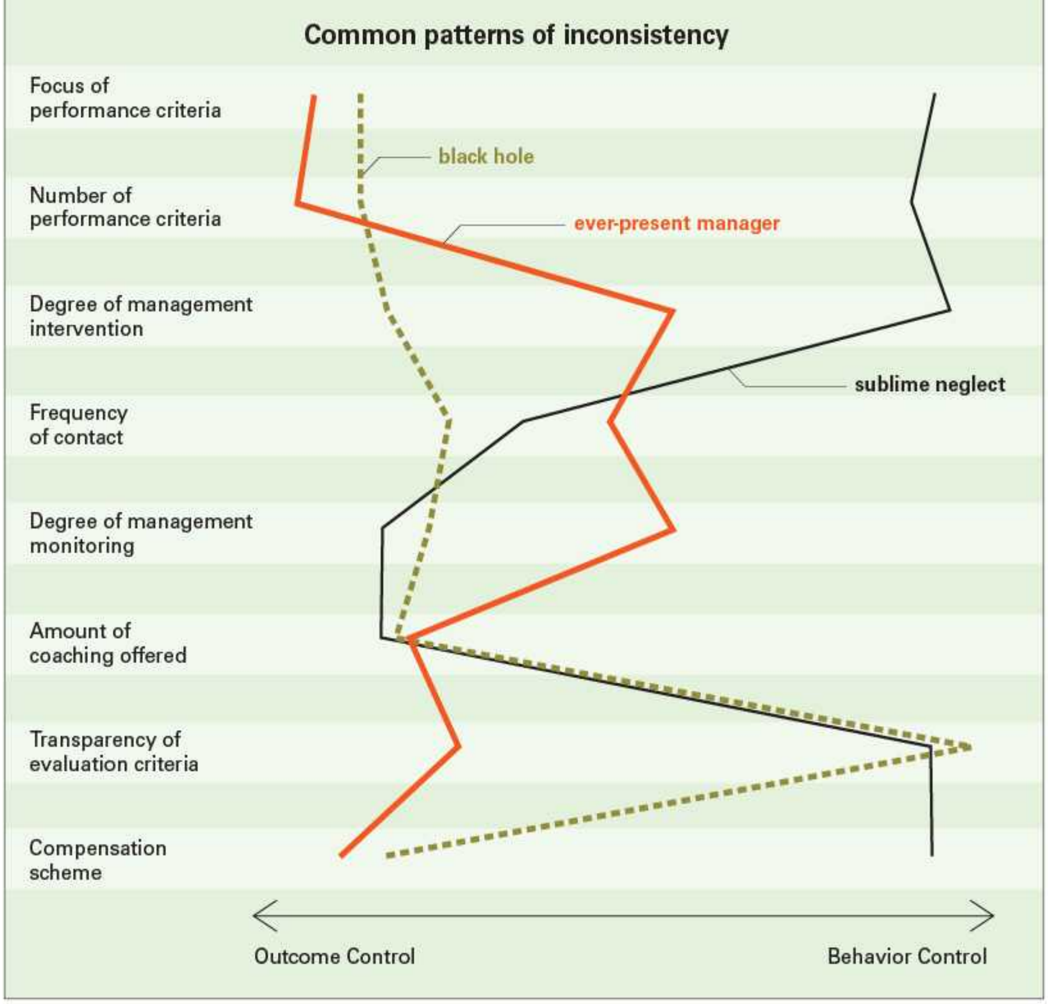
On the surface, inconsistent control systems can seem quite stable. That's because there are always people who not only survive but actually thrive in the inconsistent environment. These individuals' work experiences and sales results give them enough sense to use those parts of the system that work for them and ignore the components that don't. These people, over time, develop coping mechanisms and find opportunities in the contradictions in the system. Such salespeople aren't always homegrown; they may have honed their coping skills elsewhere. But what they may lack in political capital at the company, they make up for with some other asset – a deep Rolodex, for instance, or an industrywide reputation.

If a sales force has a lot of these people, and as long as they perform well enough to offset the nonperformers, an inconsistent control system can seem fine for quite a long time before the defects become apparent. It's usually not a sustainable situation, though. The stars will eventually retire, and as they approach retirement, they will slow down. Meanwhile, it's unlikely that the company will be able to hold on to enough of its most promising newcomers to replace the productivity of the senior salespeople. And recruiting the right kind of outsiders in any quantity will be impossible. When the situation does start to unravel, it will happen fast.

Taken singly, each incremental change lobbied for and made will seem reasonable. Collectively, such changes can spell disaster. Empowering salespeople to go get results has its virtues. Likewise, limiting salespeople's autonomy offers advantages. But managers may not see that trying to do both at the same time doesn't work. Eventually, various components of the sales force management system start migrating to different extremes. A company may use many criteria to evaluate its salespeople (BC style) but may also offer minimal or no monitoring and coaching (OC style) – and the system as a whole loses consistency. Because it happens slowly, many organizations are oblivious that their control systems have become misaligned. Salespeople have learned to live with it – or have quit. Managers have come to accept it and perhaps like it. (See the sidebar "Your Sales Force Is Misaligned–Why Haven't You Noticed?") Bringing all the elements of a sales organization back into alignment can be politically and financially difficult. And since firms aren't aware of the results they *could* be getting, they don't realize that their inconsistent control systems are hurting their performance.

How Consistent Is Your Control System?

To find out where your company falls on the outcome control–behavior control continuum, consider each of the eight basic system components and indicate which camp you fall in (or closest) to. If you can plot a relatively straight line, your system is well balanced. If the line zigzags, you need to take a closer look at how your sales function works.



Gauging Your Consistency

To get a sense of how consistent your sales management efforts are, it might be useful to render the system graphically. (See the exhibit "How Consistent Is Your Control System?") For each of the system components, plot where your approach to sales force management falls on the outcome control–behavior control continuum. If your system is consistent, the points should fall roughly in a straight line. If your system isn't consistent, you will observe a pronounced zigzag design.

There are three common patterns of inconsistency. The most frequent type of mismatch is characterized by "the ever-present manager." An example of this would be a company that generally uses an outcome control system – managers focus on a handful of important results when evaluating sales reps' performance and calibrate compensation accordingly – but that has interventionist managers (BC style), who have regular contact with salespeople and monitor the reps' activities intensely. Yet for all their interactions, the managers don't coach as much as a true behavior control system calls for. In this system, salespeople will resist management's interference and will try to focus on pay and bottom-line sales figures. Meanwhile, managers will try to correct salespeople's "excessive" focus on generating "unprofitable" orders, will complain that salespeople are uncooperative, and will struggle to redirect salespeople's attention to whatever the managers think should be done. We found just this situation at a company selling premium graphic services. Because the firm's clients differed in size and needs, salespeople had to tailor their product pitches to each buyer and occasion. The reps were paid largely on commission and were evaluated on a handful of sales performance indicators, which encouraged them to do whatever they had to in order to make the sale. But they also had to contend with interventionist managers, who worked overtime to find out what the salespeople were doing and would frequently tell them to do something else. The friction this created sapped everyone's energy, to the customers' detriment. Fortunately, the firm's sales managers recognized the problem in time and made an effort to intervene less.

Another common mismatch, "sublime neglect," is characterized by a BC system that doesn't provide salespeople with sufficient coaching from and contact with management. Salespeople don't know what management thinks and how they should behave – and the customer is not empowered to fill the vacuum. At one company we studied, a health management firm, the sales management system's values, metrics, and evaluation were essentially about behavior control. But the managers who were supposed to coach and monitor salespeople were largely absent; they had their own selling responsibilities. So it was difficult for the sales reps to obtain the guidance they needed to work effectively. The company's frequent rotation of sales managers aggravated the problem: The salespeople constantly had to adapt to new and idiosyncratic demands from new chiefs. (Remember: If the boss is king, his whims must be taken seriously.)

The third common type of inconsistent system, "the black hole," is characterized by a fundamentally OC system with opaque evaluation methods. Salespeople feel like the organization is focused only on results; how those results translate into individual performance evaluations (and corresponding pay raises and other rewards) is a mystery. Salespeople in companies with these characteristics are cynical about a culture they consider arbitrary and political; high performers become frustrated and lose motivation. That was the case at a large bank in West Africa we studied. It employed close to 4,000 salespeople, who called on individual customers for deposits. The typical salesperson was a college graduate with little or no banking experience. In theory, a sales rep's performance was evaluated strictly in terms of the volume of deposits he or she obtained each month; each rep had to hit a set target. In practice, however, many salespeople missed their targets yet kept their jobs. Some even got promoted ahead of superior performers. The salespeople sensed that evaluations were based on the branch manager's whims. The high performers felt unfairly treated, and many eventually left the company.

Which System Do You Need?

System consistency isn't the whole story. Your straight line also needs to be in the right place on the outcome control–behavior control continuum. The location will depend on your company's situation–the constraints it faces and the resources, strategy, internal culture, and time horizon it has. It will also depend on the environment in which you operate. Firms need to bow to local cultural and legal norms. Outcome control systems are much better received in some cultures (such as the United States, Canada, Argentina, Italy, southern Nigeria, or parts of India) than in others (such as Sweden, Japan, or Korea). A firm with global reach, therefore, should have multiple control systems for its various sales forces. That said, our study indicates there are general situations that clearly call for an OC system and others that require a BC system.

> Many companies try to keep the paychecks in line with the hierarchy. This is dangerous.

When outcome control fits. As a general rule, outcome control fits when your salespeople have a substantial influence on results–that is, when their skills and efforts are the biggest determinant of sales. This is equivalent to saying that sales force elasticity is high (changing sales campaigns or salespeople would have a big effect on results). When sales reps make that big of a difference to the bottom line, it is worth it to give them autonomy and to pay them handsomely to do what they do. Specifically, OC is the right system in the following situations.

• *Customers need information.* When customers are solving a new problem or contemplating new solutions to existing problems, they need a great deal of information. They don't know what they don't know, but they realize their decisions have high stakes. Such customers will take their time, gather information, and process it. In this situation, a good salesperson slowly and invisibly frames the customer's thinking – and an OC system will ensure that the rep is putting forth his or her best effort.

• *The sale is open.* In some companies, certain sales transactions have an air of predictability or presale momentum. The firm with the biggest advertising budget or the lowest price usually takes a commanding lead over its rivals. But in many sales situations, it's hard to forecast who will win. That's when a good salesperson can sway decisions. As in the need-for-information scenario, an OC system can inspire salespeople to work their hardest and think more creatively.

• *Customers trust the salesperson.* In some industries, customers can forge strong ties to a salesperson and will buy whatever he or she recommends. For instance, customers will let a great salesperson from an investment services firm frame their thinking. They trust "their" financial adviser. Such advisers are more likely to be working in an OC system than in a BC system.

• *There are many ways to close the deal.* An OC system works when you know that many different behaviors can be effective in generating results. In that case, why impose management's favorites? OC also fits when you don't know which behaviors work and which don't. For instance, the insurance industry relies heavily on OC systems because it is dealing with both classic customer interactions (constant, cyclical demand for products like life insurance and car insurance) as well as niche sales situations (insurance plans for people with certain preexisting health conditions).

The OC firm must permit its salespeople to be independent, which can be difficult. One of us ran a meeting of sales managers in a would-be OC firm. For 20 minutes, it proved impossible to get down to business. Why? The managers wanted to complain about how disrespectfully their subordinates treated them. The comments from one salesperson about a manager's ugly ties were bad enough, the managers said. But when one sales rep reminded everyone in a meeting that the top sales performer that year had earned more than the manager? Well, that was outrageous, the managers said. In truth, real OC firms wouldn't consider such behavior outrageous. They would celebrate it – even if the top salesperson made more money than the CEO.

Many companies are like the one we advised: They try to keep the paychecks in line with the hierarchy. This is dangerous. If management in an OC system announces caps on income – or worse, imposes them after a sales campaign is under way – it will cost that company more in the long run than it will save. If your internal culture cannot accept that someone who is "just a salesperson" might be autonomous and wealthy (just like an entrepreneur), OC is not for you. This is a major reason why OC firms are less common in many national cultures, such as France and Germany, both of which place great importance on hierarchy.

Finally, for an OC system to work properly, you need an excellent accounting system. It should be timely (you can't wait too long to pay people), accurate (you don't want to have to reissue paychecks), and appropriate (reflecting who is selling what to whom). Many firms simply cannot measure outputs well enough by themselves to operate an OC system; they have to invest in information systems that can do the work for them. An express-delivery firm we worked with spent millions to reconfigure its IT system, which could only track packages from warehouses to recipients. The new system tracks packages from senders – right down to the individual who made the delivery request – and links the information back to the salesperson who then targets that individual. Similarly, drug companies work with third parties, such as IMS

Health (a provider of market intelligence to the health care industry), to collect information on filled prescriptions from pharmacies. The drug companies then match the data to individual physicians (in the United States) or to physician groups (in Europe) and, further, to the salespeople who call on these doctors and medical groups.

When behavior control fits. In general, you need a BC system when your salespeople can't figure out what to do with their autonomy. Otherwise, customers' demands will drive your salespeople to errors that will rebound to your detriment. Specifically, BC systems are a good match in the following scenarios.

• *Your salespeople lack experience.* It takes both savoir faire (know how to do) and savoir être (know how to be) to master sales in the field. Without these aptitudes, inexperienced salespeople will flounder and take shortcuts, even some unethical ones. If they manage to survive at the company, they will retain the suboptimal habits that got them where they are. This is a major reason why the insurance industry is under regulatory pressure in many countries. Because of the field's reliance on outcome control and the inexperience of many sales teams due to high turnover, many sales reps are selling the wrong products to the wrong people. Government demands for compliance are really calls for behavior control in an industry habituated to outcome control. Switching to a BC system, however, is not a complete solution. Junior salespeople who will initially thrive under a behavior control system will chafe as they gain experience. That's why many insurance companies run two sales forces in parallel – one OC, and one BC. Salespeople are funneled into the OC system only after they have proven themselves in the BC system. Interestingly, firms that have utilized these twin tracks have discovered that many salespeople never really want to leave the BC system and that many of the salespeople in the OC system voluntarily switch back to BC. By running parallel systems, firms can accommodate their sales reps' changing needs without losing talented, experienced people.

• *You need to protect your brand.* Many companies have a legitimate need to control how salespeople present their products or services. Your firm may have, or may be trying to build, high brand equity. Or it may be selling a product or a service that is dangerous if it's used incor-

What Price Are You Paying?

In many industries, a salesperson must call on a prospect at least four times to get that first order. The sales rep's efforts after the fifth call boost sales dramatically, but, eventually, the orders taper off. At that point, any extra effort the salesperson expends has little, if any, payoff. A smart (or well-managed) rep instead turns his attention to another goal. Each time the salesperson eyes a new target and investigates ways to approach the threshold for that target, he needs to muster his resources (time, energy, attention, and so on).

Here is where inconsistent control systems do their greatest harm: They send the message that too many things need the sales rep's attention. Lacking a sense of priorities, the salesperson dissipates her resources trying to meet too many goals. She does some of everything because everything is important. In the end, she never passes the threshold performance in whatever goal she's pursuing. Yet she's still expending resources, making investments that won't offer returns. After all, customers don't give salespeople partial credit for their good intentions and fragmented efforts.

In an inconsistent system, salespeople feel like there is no overall logic, no unified direction, to their efforts. They get worn down and worn out. For instance, a salesperson, in an attempt to cover every base, might decide to play it safe and respond to every signal that emanates from management. Suppose that she were expected to make lots of sales calls and write detailed reports on each. She probably wouldn't be able to make enough calls to generate the sales expected of her, and she wouldn't be able to write very informative reports because she couldn't spend enough time per call. If she decided to respond to only some of management's cues, she would run the risk of choosing the wrong ones to follow.

In an inconsistent environment, morale gradually declines. Because the sales rep can't get a succinct message about what is expected of him, he experiences a gnawing sense of "I don't know how I'm doing, let alone what I'm doing." He is consumed by the feeling that there is no way to satisfy all the players – the company, the district manager, the customer. He becomes frustrated and unmotivated, which may lead to his withdrawal and lower performance. Sales managers in inconsistent systems may notice increasing use of unethical practices as their sales reps take shortcuts to deal with conflicting demands. Eventually, this dysfunctional dynamic is reflected in the bottom line: The company's sales expenses creep ahead of the competition's.

rectly. In either case, it is critical for your salespeople to present your product or service in excruciatingly correct detail. Misrepresentation, either by omission or commission, is unacceptable. This may be partly why pharmaceutical and chemical industries rely on BC systems to manage their sales forces.

• *You have high nonsales priorities.* Behavior control is the right choice when you want your salespeople to set high nonsales priorities, such as participating in new product development. While such efforts contribute indirectly to current sales and directly to future sales, an OC system – with its focus on the here and now – will encourage salespeople to neglect them. In general, the more you want your salespeople to act like your marketing or strategy people, the more you need to tweak their job descriptions, alleviating for them the burden of closing sales to create their paychecks. Behavior control systems are also better for firms that want to develop leaders and managers. Indeed, that's why we often see OC firms poaching people from BC firms: The OC companies don't have the right kind of system to grow good sales managers.

• *It's hard to assign sales credit.* BC systems impose fewer demands on accounting than OC systems do, and many firms use behavior controls simply because their sales records don't tell them how much each individual contributes, which makes it difficult to find a workable variable-pay formula. In situations like this, managers can avert endless disputes with their sales staffs by using behavior controls. In some cases, the problem is not so much that a good pay package can't be designed; it's that no one can agree on what the appropriate drivers are.

People often find it easier to adapt to behavior control systems than to outcome control systems. That's because BC systems conform to people's natural instincts to create hierarchies – but they require far more overhead. Behavior control not only imposes salaries on salespeople but also requires a large number of powerful managers who, in turn, need a sensitive, thorough information system that tracks salespeople, their territories, and their competition. Without such a system, managers can't craft effective sales strategies and measure their results. BC only works when you know which behaviors to ask for and which behaviors to discourage.

• • •

Ultimately, managing a sales force comes down to helping your salespeople align their priorities with the company's. The best sales force management system – customer is king, manager is king, or some balance of the two – is the one that fits your selling process, time horizon, mission, culture, and information systems. Weigh all the elements pulling you left (OC) or right (BC). In most cases, the best choice will be a consistent system that's somewhere in the middle.

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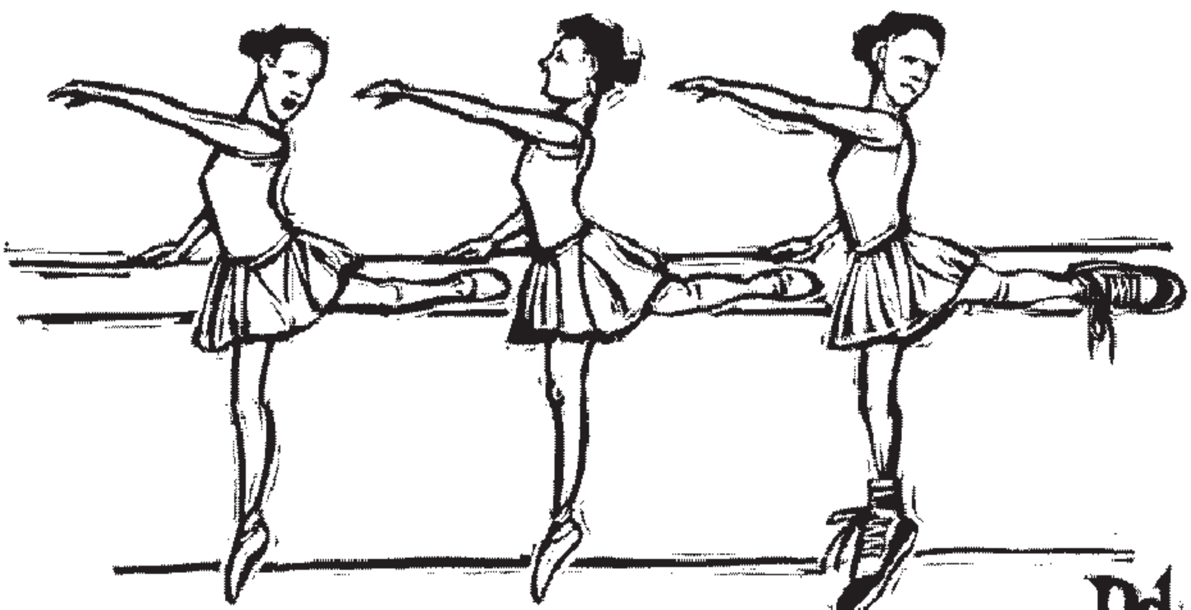


DREW DERNAVICH

"Personally, I can wait for the right *kind of endorsement."*

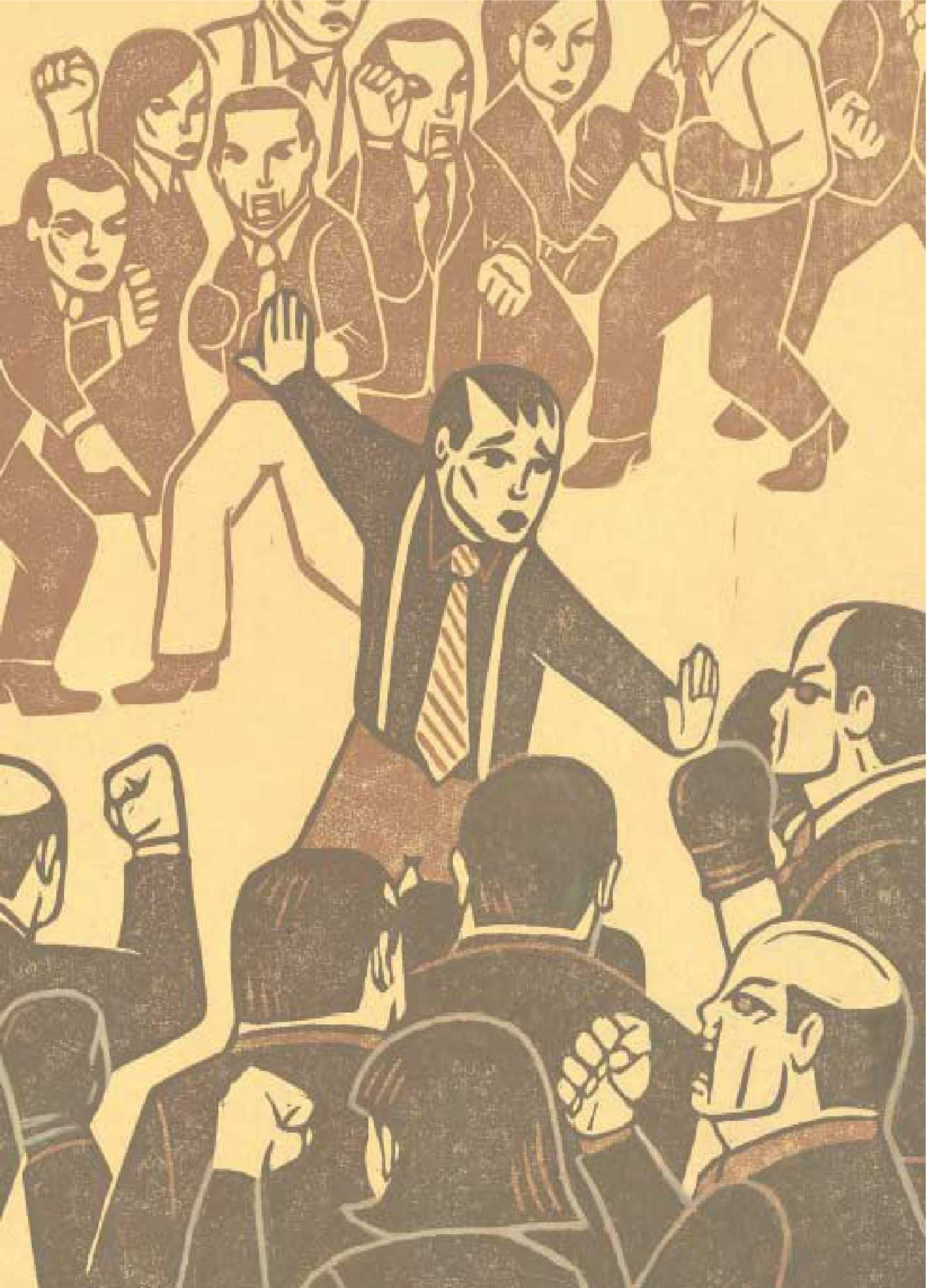
ENDING THE WAR BETWEEN SALES & MARKETING

by Philip Kotler, Neil Rackham, and Suj Krishnaswamy

In many companies, sales forces and marketers feud like Capulets and Montagues – with disastrous results. Here's how to get them to lay down their swords.

PRODUCT DESIGNERS LEARNED YEARS AGO that they'd save time and money if they consulted with their colleagues in manufacturing rather than just throwing new designs over the wall. The two functions realized it wasn't enough to just coexist – not when they could work together to create value for the company and for customers. You'd think that marketing and sales teams, whose work is also deeply interconnected, would have discovered something similar. As a rule, though, they're separate functions within an organization, and, when they do work together, they don't always get along. When sales are disappointing, Marketing blames the sales force for its poor execution of an otherwise brilliant rollout plan. The sales team, in turn, claims that Marketing sets prices too high and uses too much of the budget, which instead

BLAIR KELLY



should go toward hiring more salespeople or paying the sales reps higher commissions. More broadly, sales departments tend to believe that marketers are out of touch with what's really going on with customers. Marketing believes the sales force is myopic–too focused on individual customer experiences, insufficiently aware of the larger market, and blind to the future. In short, each group often undervalues the other's contributions.

This lack of alignment ends up hurting corporate performance. Time and again, during research and consulting assignments, we've seen both groups stumble (and the organization suffer) because they were out of sync. Conversely, there is no question that, when Sales and Marketing work well together, companies see substantial improvement on important performance metrics: Sales cycles are shorter, market-entry costs go down, and the cost of sales is lower. That's what happened when IBM integrated its sales and marketing groups to create a new function called Channel Enablement. Before the groups were integrated, IBM senior executives Anil Menon and Dan Pelino told us, Sales and Marketing operated independent of one another. Salespeople worried only about fulfilling product demand, not creating it. Marketers failed to link advertising dollars spent to actual sales made, so Sales obviously couldn't see the value of marketing efforts. And, because the groups were poorly coordinated, Marketing's new product announcements often came at a time when Sales was not prepared to capitalize on them.

Curious about this kind of disconnect between Sales and Marketing, we conducted a study to identify best practices that could help enhance the joint performance and overall contributions of these two functions. We interviewed pairs of chief marketing officers and sales vice presidents to capture their perspectives. We looked in depth at the relationship between Sales and Marketing in a heavy equipment company, a materials company, a financial services firm, a medical systems company, an energy company, an insurance company, two high-tech electronic products companies, and an airline. Among our findings:

- The marketing function takes different forms in different companies at different product life-cycle stages – all of which can deeply affect the relationship between Sales and Marketing.
- The strains between Sales and Marketing fall into two main categories: economic and cultural.
- It's not difficult for companies to assess the quality of the working relationship between Sales and Marketing. (This article includes a diagnostic tool for doing so.)
- Companies can take practical steps to move the two functions into a more productive relationship, once they've established where the groups are starting from.

Different Roles for Marketing

Before we look closely at the relationship between the two groups, we need to recognize that the nature of the marketing function varies significantly from company to company.

Most small businesses (and most businesses *are* small) don't establish a formal marketing group at all. Their marketing ideas come from managers, the sales force, or an advertising agency. Such businesses equate marketing with selling; they don't conceive of marketing as a broader way to position their firms.

Eventually, successful small businesses add a marketing person (or persons) to help relieve the sales force of some chores. These new staff members conduct research to calibrate the size of the market, choose the best markets and channels, and determine potential buyers' motives and influences. They work with outside agencies on advertising and promotions. They develop collateral materials to help the sales force attract customers and close sales. And, finally, they use direct mail, telemarketing, and trade shows to find and qualify leads for the sales force. Both Sales and Marketing see the marketing group as an adjunct to the sales force at this stage, and the relationship between the functions is usually positive.

As companies become larger and more successful, executives recognize that there is more to marketing than setting the four P's: product, pricing, place, and promotion. They determine that effective marketing calls for people skilled in segmentation, targeting, and positioning. Once companies hire marketers with those skills, Marketing becomes an independent player. It also starts to compete with Sales for funding. While the sales mission has not changed, the marketing mission has. Disagreements arise. Each function takes on tasks it believes the other should be doing but isn't. All too often, organizations find that they have a marketing function inside Sales, and a sales function inside Marketing. At this stage, the salespeople wish that the marketers would worry about future opportunities (long-term strategy) and leave the current opportunities (individual and group sales) to them.

Once the marketing group tackles higher-level tasks like segmentation, it starts to work more closely with other departments, particularly Strategic Planning, Product Development, Finance, and Manufacturing. The

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company starts to think in terms of developing brands rather than products, and brand managers become powerful players in the organization. The marketing group is no longer a humble ancillary to the sales department. It sets its sights much higher: The marketers believe it's essential to transform the organization into a "marketing-led" company. As they introduce this rhetoric, others in the firm – including the sales group – question whether the marketers have the competencies, experience, and understanding to lead the organization.

While Marketing increases its influence within separate business units, it rarely becomes a major force at the corporate level. There are exceptions: Citigroup, Coca-Cola, General Electric, IBM, and Microsoft each have a marketing head at the corporate level. And Marketing is more apt to drive company strategy in major packaged-goods companies such as General Mills, Kraft, and Procter & Gamble. Even then, though, during economic downturns, Marketing is more closely questioned – and its workforce more likely to be cut – than Sales.

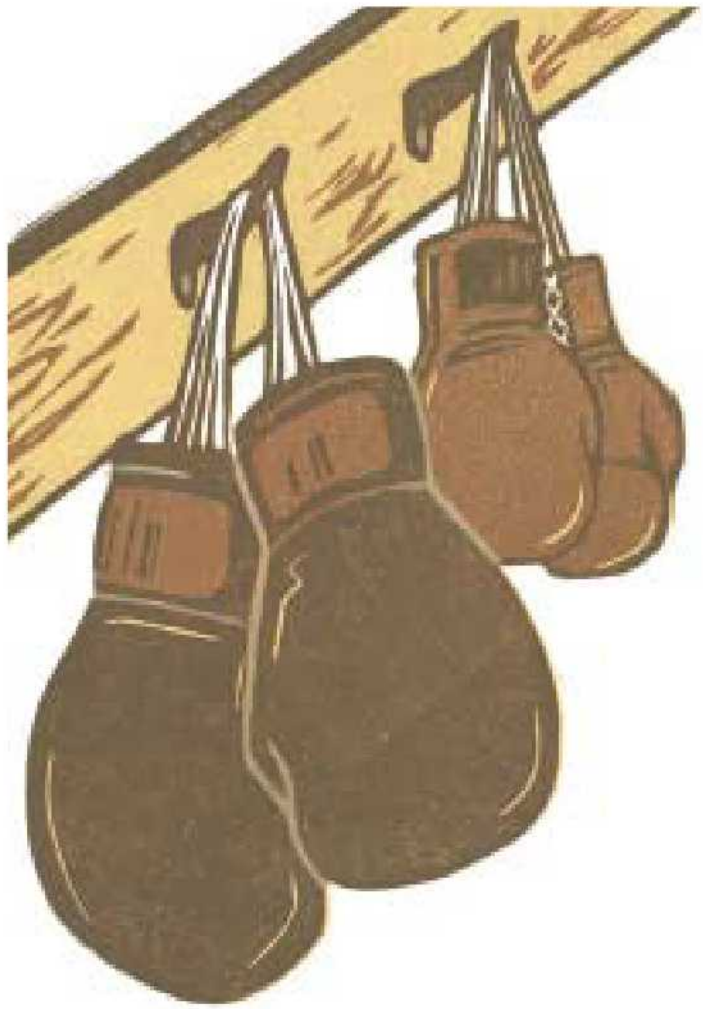
Why Can't They Just Get Along?

There are two sources of friction between Sales and Marketing. One is economic, and the other is cultural. The economic friction is generated by the need to divide the total budget granted by senior management to support Sales and Marketing. In fact, the sales force is apt to criticize how Marketing spends money on three of the four P's – pricing, promotion, and product. Take pricing. The marketing group is under pressure to achieve revenue goals and wants the sales force to "sell the price" as opposed to "selling through price." The salespeople usually favor lower prices because they can sell the product more easily and because low prices give them more room to negotiate. In addition, there are organizational tensions around pricing decisions. While Marketing is responsible for setting suggested retail or list prices and establishing promotional pricing, Sales has the final say over transactional pricing. When special low pricing is required, Marketing frequently has no input. The vice president of sales goes directly to the CFO. This does not make the marketing group happy.

Promotion costs, too, are a source of friction. The marketing group needs to spend money to generate customers' awareness of, interest in, preference for, and desire for a product. But the sales force often views the large sums spent on promotion – particularly on television advertising – as a waste of money. The VP of sales tends to think that this money would be better spent increasing the size and quality of the sales force.

When marketers help set the other P, the product being launched, salespeople often complain that it lacks the features, style, or quality their customers want. That's because the sales group's worldview is shaped by the needs of its individual customers. The marketing team, however, is concerned about releasing products whose features have broad appeal.

The budget for both groups also reflects which department wields more power within the organization, a significant factor. CEOs tend to favor the sales group when setting budgets. One chief executive told us, "Why should I invest in more marketing when I can get better results by hiring more salespeople?" CEOs often see sales as more



tangible, with more short-run impact. The sales group's contributions to the bottom line are also easier to judge than the marketers' contributions.

The cultural conflict between Sales and Marketing is, if anything, even more entrenched than the economic conflict. This is true in part because the two functions attract different types of people who spend their time in very different ways. Marketers, who until recently had more formal education than salespeople, are highly analytical, data oriented, and project focused. They're all about building competitive advantage for the future. They judge their projects' performance with a cold eye, and they're ruthless with a failed initiative. However, that performance focus doesn't always look like action to their colleagues in Sales because it all happens behind a desk rather than out in the field. Salespeople, in contrast, spend their time talking to existing and potential customers. They're skilled relationship builders; they're not only savvy about customers' willingness to buy but also attuned to which product features will fly and which will die. They want to keep moving. They're used to rejection, and it doesn't depress them. They live for closing a sale. It's hardly surprising that these two groups of people find it difficult to work well together.

If the organization doesn't align incentives carefully, the two groups also run into conflicts about seemingly simple things – for instance, which products to focus on selling. Salespeople may push products with lower margins that satisfy quota goals, while Marketing wants them to sell products with higher profit margins and more promising futures. More broadly speaking, the two groups' performance is judged very differently. Salespeople make a living by closing sales, full stop. It's easy to see who (and what) is successful – almost immediately. But the marketing budget is devoted to programs, not people, and it takes much longer to know whether a program has helped to create long-term competitive advantage for the organization.

Four Types of Relationships

Given the potential economic and cultural conflicts, one would expect some strains to develop between the two groups. And, indeed, some level of dysfunction usually does exist, even in cases where the heads of Sales and Marketing are friendly. The sales and marketing departments in the companies we studied exhibit four types of relationships. The relationships change as the companies' marketing and sales functions mature – the groups move from being unaligned (and often conflicted) to being fully integrated (and usually conflict-free) – though we've seen only a few cases where the two functions are fully integrated.

Undefined. When the relationship is undefined, Sales and Marketing have grown independently; each is preoccupied largely with its own tasks and agendas. Each group doesn't know much about what the other is up to – until a conflict arises. Meetings between the two, which are ad hoc, are likely to be devoted to conflict resolution rather than proactive cooperation.

Defined. In a defined relationship, the two groups set up processes – and rules – to prevent disputes. There's a "good fences make good neighbors" orientation; the marketers and salespeople know who is supposed to do what, and they stick to their own tasks for the most part. The groups start to build a common language in potentially contentious areas, such as "How do we define a lead?" Meetings become more reflective; people raise questions like "What do we expect of one another?" The groups work together on large events like customer conferences and trade shows.

Aligned. When Sales and Marketing are aligned, clear boundaries between the two exist, but they're flexible. The groups engage in joint planning and training. The sales group understands and uses marketing terminology such as "value proposition" and "brand image." Marketers confer with salespeople on important accounts. They play a role in transactional, or commodity, sales as well.

Integrated. When Sales and Marketing are fully integrated, boundaries become blurred. Both groups redesign the relationship to share structures, systems, and rewards. Marketing – and to a lesser degree Sales – begins to focus on strategic, forward-thinking types of tasks (market sensing, for instance) and sometimes splits into upstream and downstream groups. Marketers are deeply embedded in the management of key accounts. The two groups develop and implement shared metrics. Budgeting becomes more flexible and less contentious. A "rise or fall together" culture develops.

We designed an assessment tool that can help organizations gauge the relationship between their sales and marketing departments. (See the exhibit "How Well Do Sales and Marketing Work Together?") We originally developed this instrument to help us understand what we were seeing in our research, but the executives we were studying quickly appropriated it for their own use. Without an objective tool of this kind, it's very difficult for managers to judge their cultures and their working environments.

How Well Do Sales and Marketing Work Together?

This instrument is intended to help you gauge how well your sales and marketing groups are aligned and integrated. Ask your heads of Sales and Marketing (as well as their staffs) to evaluate each of the following statements on a scale of 1 to 5, where 1 is "strongly disagree" and 5 is "strongly agree." Tally the numbers, and use the scoring key to determine the kind of relationship Sales and Marketing have in your company. The higher the score, the more integrated the relationship. (Several companies have found that their sales forces and their marketing staffs have significantly different perceptions about how well they work together – which in itself is quite interesting.)

Scoring	
20–39 Undefined	60–79 Aligned
40–59 Defined	80–100 Integrated

	Strongly Disagree 1	Disagree 2	Neither 3	Agree 4	Strongly Agree 5
1. Our sales figures are usually close to the sales forecast.	___	___	___	___	___
2. If things go wrong, or results are disappointing, neither function points fingers or blames the other.	___	___	___	___	___
3. Marketing people often meet with key customers during the sales process.	___	___	___	___	___
4. Marketing solicits participation from Sales in drafting the marketing plan.	___	___	___	___	___
5. Our salespeople believe the collateral supplied by Marketing is a valuable tool to help them get more sales.	___	___	___	___	___
6. The sales force willingly cooperates in supplying feedback requested by Marketing.	___	___	___	___	___
7. There is a great deal of common language here between Sales and Marketing.	___	___	___	___	___
8. The heads of Sales and Marketing regularly confer about upstream issues such as idea generation, market sensing, and product development strategy.	___	___	___	___	___
9. Sales and Marketing work closely together to define segment buying behavior.	___	___	___	___	___
10. When Sales and Marketing meet, they do not need to spend much time on dispute resolution and crisis management.	___	___	___	___	___
11. The heads of Sales and Marketing work together on business planning for products and services that will not be launched for two or more years.	___	___	___	___	___
12. We discuss and use common metrics for determining the success of Sales and Marketing.	___	___	___	___	___
13. Marketing actively participates in defining and executing the sales strategy for individual key accounts.	___	___	___	___	___
14. Sales and Marketing manage their activities using jointly developed business funnels, processes, or pipelines that span the business chain – from initial market sensing to customer service.	___	___	___	___	___
15. Marketing makes a significant contribution to analyzing data from the sales funnel and using those data to improve the predictability and effectiveness of the funnel.	___	___	___	___	___
16. Sales and Marketing share a strong "We rise or fall together" culture.	___	___	___	___	___
17. Sales and Marketing report to a single chief customer officer, chief revenue officer, or equivalent C-level executive.	___	___	___	___	___
18. There's significant interchange of people between Sales and Marketing.	___	___	___	___	___
19. Sales and Marketing jointly develop and deploy training programs, events, and learning opportunities for their respective staffs.	___	___	___	___	___
20. Sales and Marketing actively participate in the preparation and presentation of each other's plans to top executives.	___	___	___	___	___

___ + ___ + ___ + ___ + ___ = ___ **Total**

Moving Up

Once an organization understands the nature of the relationship between its marketing and sales groups, senior managers may wish to create a stronger alignment between the two. (It's not always necessary, however. The exhibit "Do We Need to Be More Aligned?" can help organizations decide whether to make a change.)

Moving from undefined to defined. If the business unit or company is small, members of Sales and Marketing may enjoy good, informal relationships that needn't be disturbed. This is especially true if Marketing's role is primarily to support the sales force. However, senior managers should intervene if conflicts arise regularly. As we noted earlier, this generally happens because the groups are competing for scarce resources and because their respective roles haven't been clearly defined. At this stage, managers need to create clear rules of engagement, including handoff points for important tasks like following up on sales leads.

Moving from defined to aligned. The defined state can be comfortable for both parties. "It may not be perfect," one VP of sales told us, "but it's a whole lot better than it was." Staying at this level won't work, though, if your industry is changing in significant ways. If the market is becoming commoditized, for example, a traditional sales force may become costly. Or if the market is moving toward customization, the sales force will need to upgrade its skills. The heads of Sales and Marketing may want to build a more aligned relationship and jointly add new skills. To move from a defined relationship to an aligned one:

Encourage disciplined communication. When it comes to improving relations between any two functions, the first step inevitably involves improving communication. But it's not as simple as just *increasing* communication between two groups. More communication is expensive. It eats up time, and it prolongs decision making. We advocate instead for more *disciplined* communication. Hold regular meetings between Sales and Marketing (at least quarterly, perhaps bimonthly or monthly). Make sure that major opportunities, as well as any problems, are on the agenda. Focus the discussions on action items that will resolve problems, and perhaps even create opportunities, by the next meeting. Salespeople and marketers need to know *when* and *with whom* they should communicate. Companies should develop systematic processes and guidelines such as, "You should involve the brand manager whenever the sales opportunity is above $2 million," or "We will not go to print on any marketing collateral until salespeople have reviewed it," or "Marketing will be invited to the top ten critical account reviews." Businesses also need to establish an up-to-date, user-friendly "who to call" database. People get frustrated – and they waste time – searching in the wrong places for help.

Create joint assignments; rotate jobs. As your functions become better aligned, it's important to create opportunities for marketers and salespeople to work together. This will make them more familiar with each other's ways of thinking and acting. It's useful for marketers, particularly brand managers and researchers, to occasionally go along on sales calls. They should get involved with developing alternate solutions for customers, early in the sales process. And they should also sit in on important account-planning sessions. Salespeople, in turn, should help to develop marketing plans and should sit in on product-planning reviews. They should preview ad and sales-promotion campaigns. They should share their deep knowledge about customers' purchasing habits. Jointly, marketers and salespeople should generate a playbook for expanding business with the top ten accounts in each market segment. They should also plan events and conferences together.

ALL TOO OFTEN, organizations find that they have a marketing function inside Sales, and a sales function inside Marketing.

Appoint a liaison from Marketing to work with the sales force. The liaison needs to be someone both groups trust. He or she helps to resolve conflicts and shares with each group the tacit knowledge from the other group. It's important not to micromanage the liaison's activities. One of the Marketing respondents in our study described the liaison's role this way: "This is a person who lives with the sales force. He goes to the staff meetings, he goes to the client meetings, and he goes to the client strategy meetings. He doesn't develop product; he comes back and says, 'Here's what this market needs. Here's what's emerging,' and then he works hand in hand with the salesperson and the key customer to develop products."

Colocate marketers and salespeople. It's an old and simple truth that when people are physically close, they will interact more often and are more likely to work well together. One bank we studied located its sales and marketing functions in an empty shopping mall: Different groups and teams within Sales and Marketing were each allocated a storefront. Particularly in the early stages of moving functions toward a more closely aligned relationship, this kind of proximity is a big advantage. Most companies, though, centralize their marketing function, while the members of their sales group remain geographically dispersed. Such organizations need to work harder to facilitate communication between Sales and Marketing and to create shared work.

Improve sales force feedback. Marketers commonly complain that salespeople are too busy to share their experiences, ideas, and insights. Indeed, very few salespeople have an incentive to spend their precious time sharing customer information with Marketing. They have quotas to reach, after all, and limited time in which to meet and sell to customers. To more closely align Sales and Marketing, senior managers need to ensure that the sales force's experience can be tapped with a minimum of disruption. For instance, Marketing can ask the Sales VP to summarize any sales force insights for the month or the quarter. Or Marketing can design shorter information forms, review call reports and CRM data independently, or pay salespeople to make themselves available to interviewers

Do We Need to Be More Aligned?

The nature of relations between Sales and Marketing in your organization can run the gamut–from undefined (the groups act independent of one another) to integrated (the groups share structures, systems, and rewards). Not every company will want to–or should–move from being undefined to being defined or from being defined to being aligned. The following table can help you decide under which circumstances your company should more tightly integrate its sales and marketing functions.

	Undefined	Defined	Aligned
Don't make any changes if...	The company is small. The company has good informal relationships. Marketing is still a sales support function.	The company's products and services are fairly cut-and-dried. Traditional marketing and sales roles work in this market. There's no clear and compelling reason to change.	The company lacks a culture of shared responsibility. Sales and Marketing report separately. The sales cycle is fairly short.
Tighten the relationship between Sales and Marketing if...	Conflicts are evident between the two functions. There's duplication of effort between the functions; or tasks are falling through the cracks. The functions compete for resources or funding. move to Defined	Even with careful definition of roles, there's duplication of effort between the functions; or tasks are falling through the cracks. The market is commoditized and makes a traditional sales force costly. Products are developed, prototyped, or extensively customized during the sales process. Product life cycles are shortening, and technology turnover is accelerating. move to Aligned	A common process or business funnel can be created for managing and measuring revenue-generating activities. move to Integrated

from the marketing group and to summarize what their sales colleagues are thinking about.

Moving from aligned to integrated. Most organizations will function well when Sales and Marketing are aligned. This is especially true if the sales cycle is relatively short, the sales process is fairly straightforward, and the company doesn't have a strong culture of shared responsibility. In complicated or quickly changing situations, there are good reasons to move Sales and Marketing into an integrated relationship. (The exhibit "Sales and Marketing Integration Checklist" outlines the issues you'll want to think through.) This means integrating such straightforward activities as planning, target setting, customer assessment, and value-proposition development. It's tougher, though, to integrate the two groups' processes and systems; these must be replaced with common processes, metrics, and reward systems. Organizations need to develop shared databases, as well as mechanisms for continuous improvement. Hardest of all is changing the culture to support integration. The best examples of integration we found were in companies that already emphasized shared responsibility and disciplined planning; that were metrics driven; that tied rewards to results; and that were managed through systems and processes. To move from an aligned relationship to an integrated one:

Appoint a chief revenue (or customer) officer. The main rationale for integrating Sales and Marketing is that the two functions have a common goal: the generation of profitable and increasing revenue. It is logical to put both functions under one C-level executive. Companies such as Campbell's Soup, Coca-Cola, and FedEx have a chief revenue officer (CRO) who is responsible for planning for and delivering the revenue needed to meet corporate objectives. The CRO needs control over the forces affecting revenue – specifically, marketing, sales, service, and pricing. This manager could also be called the chief customer officer (CCO), a title used in such companies as Kellogg;

Sales and Marketing Integration Checklist

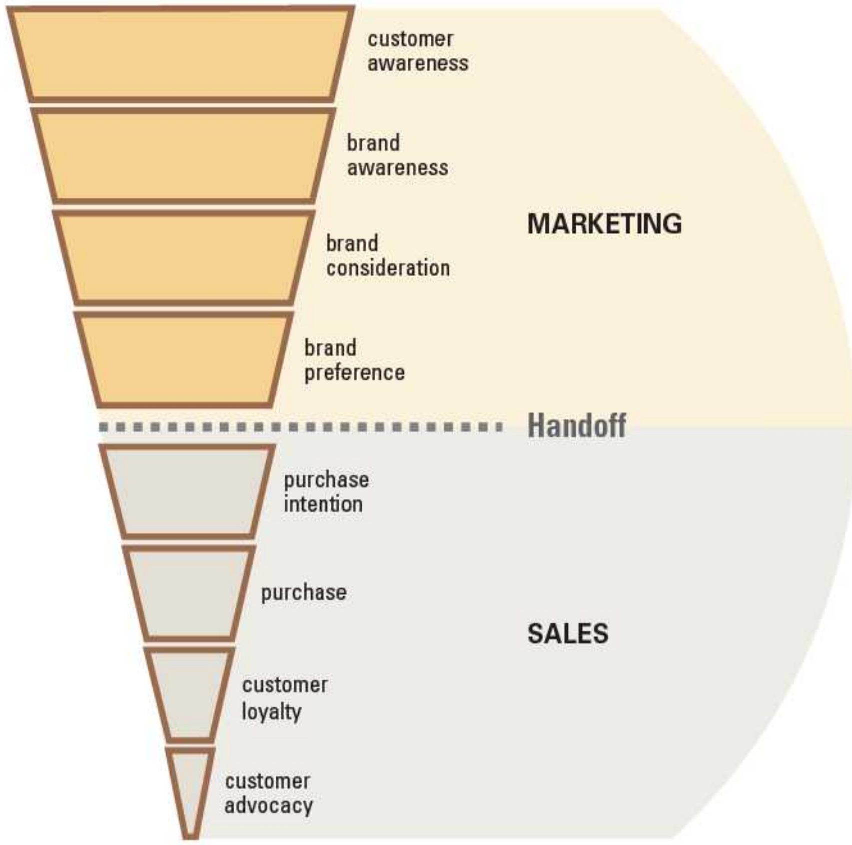
To achieve integration between Sales and Marketing, your company needs to focus on the following tasks.

Integrate Activities	Integrate Processes and Systems	Enable the Culture	Integrate Organizational Structures
☐ Jointly involve Sales and Marketing in product planning and in setting sales targets.	☐ Implement systems to track and manage Sales and Marketing's joint activities.	☐ Emphasize shared responsibility for results between the different divisions of the organization.	☐ Split Marketing into upstream and downstream teams.
☐ Jointly involve Sales and Marketing in generating value propositions for different market segments.	☐ Utilize and regularly update shared databases.	☐ Emphasize metrics.	☐ Hire a chief revenue officer.
☐ Jointly involve Sales and Marketing in assessing customer needs.	☐ Establish common metrics for evaluating the overall success of Sales and Marketing efforts.	☐ Tie rewards to results.	
☐ Jointly involve Sales and Marketing in signing off on advertising materials.	☐ Create reward systems to laud successful efforts by Sales and Marketing.	☐ Enforce divisions' conformity to systems and processes.	
☐ Jointly involve Sales and Marketing in analyzing the top opportunities by segment.	☐ Mandate that teams from Sales and Marketing meet periodically to review and improve relations.		
	☐ Require Sales and Marketing heads to attend each other's budget reviews with the CEO.		

The Buying Funnel

There's a conventional view that Marketing should take responsibility for the first four steps of the typical buying funnel – customer awareness, brand awareness, brand consideration, and brand preference. (The funnel reflects the ways that Marketing and Sales influence customers' purchasing decisions.) Marketing builds brand preference, creates a marketing plan, and generates leads for sales before handing off execution and follow-up tasks to Sales. This division of labor keeps Marketing focused on strategic activities and prevents the group from intruding in individual sales opportunities. But if things do not go well, the blame game begins. Sales criticizes the plan for the brand, and Marketing accuses Sales of not working hard enough or smart enough.

The sales group is responsible for the last four steps of the funnel – purchase intention, purchase, customer loyalty, and customer advocacy. Sales usually develops its own funnel for the selling tasks that happen during the first two steps. (These include prospecting, defining needs, preparing and presenting proposals, negotiating contracts, and implementing the sale.) Apart from some lead generation in the prospecting stage, Marketing all too often plays no role in these tasks.



Sears, Roebuck; and United Air Lines. The CCO may be more of a customer ombudsman or customer advocate in some companies; but the title can also signal an executive's broader responsibility for revenue management.

Define the steps in the marketing and sales funnels. Sales and Marketing are responsible for a sequence of activities and events (sometimes called a funnel) that leads customers toward purchases and, hopefully, ongoing relationships. Such funnels can be described from the customer's perspective or from the seller's perspective. (A typical funnel based on the customer's decision sequence is shown in the exhibit "The Buying Funnel.") Marketing is usually responsible for the first few steps – building customers' brand awareness and brand preference, creating a marketing plan, and generating leads for sales. Then Sales executes the marketing plan and follows up on leads. This division of labor has merit. It is simple, and it prevents Marketing from getting too involved in individual sales opportunities at the expense of more strategic activities. But the handoff brings serious penalties. If things do not go well, Sales can say that the plan was weak, and Marketing can say that the salespeople did not work hard enough or smart enough. And in companies where Marketing makes a handoff, marketers can lose touch with active customers. Meanwhile, Sales usually develops its own funnel describing the sequence of selling tasks. Funnels of this kind – integrated into the CRM system and into sales forecasting and account-review processes – form an increasingly important backbone for sales management. Unfortunately, Marketing often plays no role in these processes. Some companies in our study, however, have integrated Marketing into the sales funnel. During prospecting and qualifying, for instance, Marketing helps Sales to create common standards for leads and opportunities. During the needs-definition stage, Marketing helps Sales develop value propositions. In the solution-development phase, Marketing provides "solution collateral" – organized templates and customizing guides so salespeople can develop solutions for customers without constantly having to reinvent the wheel. When customers are nearing a decision, Marketing contributes case study material, success stories, and site visits to help address customers' concerns. And during contract negotiations, Marketing advises the sales team on planning and pricing. Of course, Marketing's involvement in the sales funnel should be matched by Sales' involvement in the upstream, strategic decisions the marketing group is making. Salespeople should work with the marketing and R&D staffs as they decide how to segment the market, which products to offer to which segments, and how to position those products.

Split Marketing into two groups. There's a strong case for splitting Marketing into upstream (strategic) and downstream (tactical) groups. Downstream marketers develop advertising and promotion campaigns, collateral material, case histories, and sales tools. They help salespeople develop and qualify leads. The downstream team uses market research and feedback from the sales reps to help sell existing products in new market segments, to create new messages, and to design better sales tools. Upstream marketers engage in customer sensing. That is, they monitor the voice of the customer and develop a long view of the company's business opportunities and threats. The upstream team shares its insights with senior managers and product developers – and it participates in product development.

Set shared revenue targets and reward systems. The integrated organization will not succeed unless Sales and Marketing share responsibility for revenue objectives. One marketing manager told us, "I'm going to use whatever tools I need to make sure Sales is effective, because, at the end of the day, I'm judged on that sales target as well." One of the barriers to shared objectives, however, is the thorny issue of shared rewards. Salespeople historically work on commission, and marketers don't. To successfully integrate the two functions, management will need to review the overall compensation policy.

Integrate Sales and Marketing metrics. The need for common metrics becomes critical as Marketing becomes more embedded in the sales process and as Sales plays a more active role in Marketing. "In order to be the customer-intimate company we are," says Larry Norman, president of Financial Markets Group, part of the Aegon USA operating companies, "we need to be metrics driven and have metrics in place that track both sales and marketing performance." On a macro level, companies like General Electric have "the number" – the sales goal to which both Sales and Marketing commit. There is no escaping the fact that, however well integrated Sales and Marketing are, the company will also want to develop metrics to measure and reward each group appropriately.

Sales metrics are easier to define and track. Some of the most common measures are percent of sales quota achieved, number of new customers, number of sales closings, average gross profit per customer, and sales expense to total sales. When downstream marketers become embedded in the sales process – for example, as members of critical account teams – it's only logical to measure and reward their performance using sales metrics. But then how should the company evaluate its upstream marketers? On the basis of the accuracy of their product forecasting, or the number of new market segments they discover? The metrics will vary according to the type of marketing job. Senior managers need to establish different measures for brand managers, market researchers, marketing information systems managers, advertising managers, sales promotion managers, market segment managers, and product managers. It's easier to construct a set of metrics if the marketers' purposes and tasks are clearly outlined. Still, given that upstream marketers are more engaged in sowing the seeds for a better future than in helping to reap the current harvest, the metrics used to judge their performance necessarily become softer and more judgmental.

Obviously, the difference between judging current and future outcomes makes it more complicated for companies to develop common metrics for Sales and Marketing. Upstream marketers in particular need to be assessed according to what they deliver over a longer period. Salespeople, meanwhile, are in the business of converting potential demand into today's sales. As the working relationship between Sales and Marketing becomes more interactive and interdependent, the integrated organization will continue to wrestle with this difficult, but surely not insurmountable, problem.

MARKETERS JUDGE their projects' performance with a cold eye. But that performance focus doesn't always look like action to their colleagues in Sales.

• • •

Senior managers often describe the working relationship between Sales and Marketing as unsatisfactory. The two functions, they say, undercommunicate, underperform, and overcomplain. Not every company will want to – or should – upgrade from defined to aligned relationships or from aligned to integrated relationships. But every company can and should improve the relationship between Sales and Marketing. Carefully planned enhancements will bring salespeople's intimate knowledge of your customers into the company's core. These improvements will also help you serve customers better now and will help you build better products for the future. They will help your company marry softer, relationship-building skills with harder, analytic skills. They will force your organization to closely consider how it rewards people and whether those reward systems apply fairly across functions. Best of all, these improvements will boost both your top-line and bottom-line growth.

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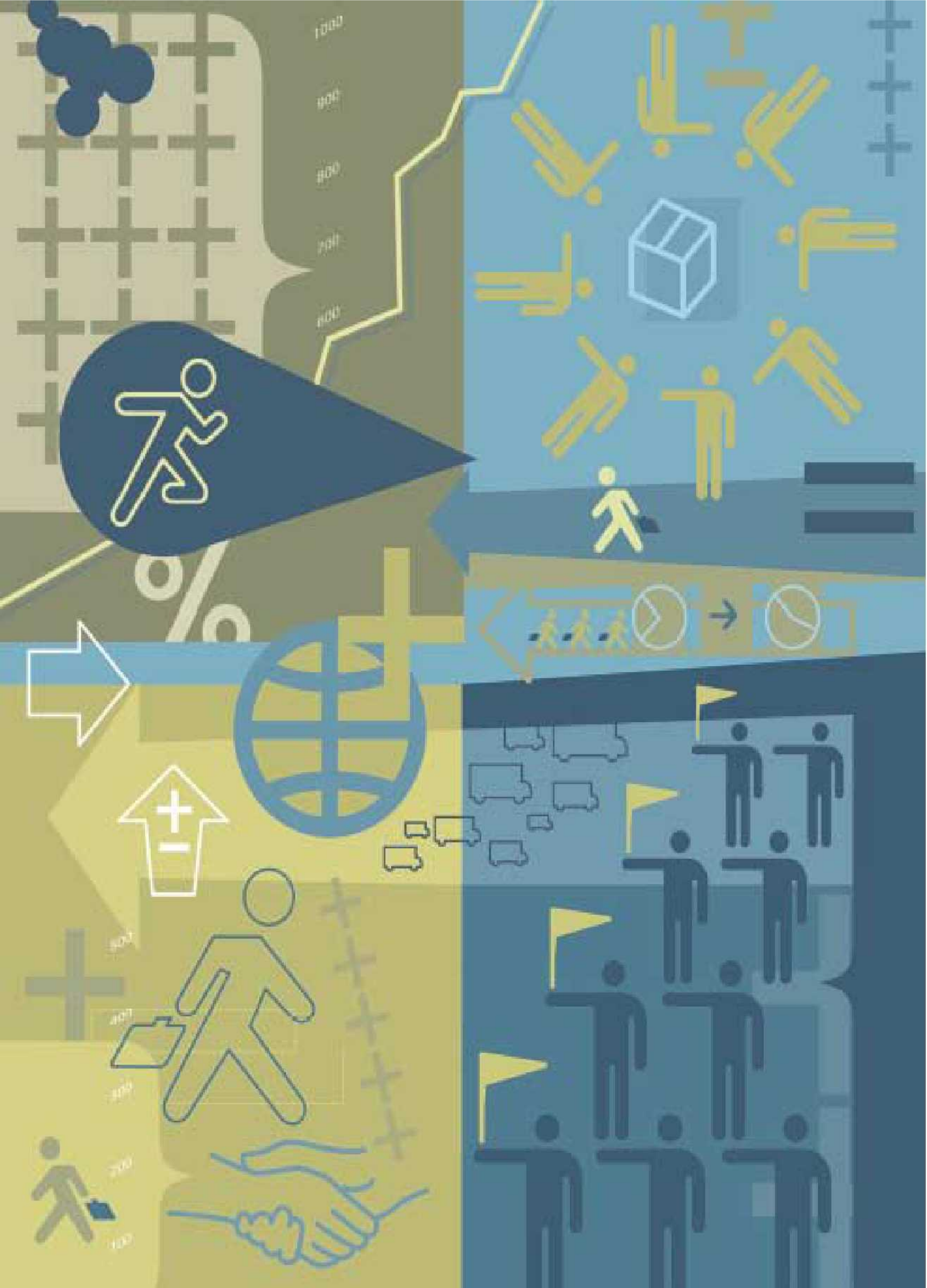
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The organization and goals of a sales force have to change as businesses start up, grow, mature, and decline.

Match Your Sales Force Structure to Your Business Life Cycle

by Andris A. Zoltners, Prabhakant Sinha, and Sally E. Lorimer

Smart bicycle-racing teams match their strategies to the stages of a race in order to win. In the flat stretches, team members take turns riding in front because it's easier for the team leader to pedal when someone ahead is cutting the wind. In the mountains, some riders make the task easier for the leader by setting the pace and by choosing the best line of ascent. In the time trials, a few team members maintain steady speeds over long distances to lower the team's average finishing time. Talent always matters, but in most races, the way teams deploy talent over time, in different formations in different contexts, makes the difference between winning and losing.

CELIA JOHNSON

That's a lesson sales leaders must learn. Although companies devote considerable time and money to managing their sales forces, few focus much thought on how the sales force needs to change over the life cycle of a product or a business. However, shifts in the sales force's structure are essential if a company wants to keep winning the race for customers. Specifically, companies must alter four factors over time: the roles that the sales force and selling partners play; the size of the sales force; the sales force's degree of specialization; and how salespeople apportion their efforts among different customers, products, and activities. These variables are critical because they determine how quickly sales forces respond to market opportunities; they influence sales forces' performance; and they affect companies' revenues, costs, and profitability.

Admittedly, it isn't easy for a company to change the composition and activities of its sales force. Salespeople and customers resist change, often quite fiercely. If a company starts hiring specialists instead of general-purpose salespeople, for example, or reassigns accounts from sales reps in the field to telesales staff, existing salespeople will have to learn how to sell different products and will have to terminate some customer relationships. If they earn commissions or bonuses, their income may fall in the short run. Customers, too, will have to adjust to new processes and establish relationships with new salespeople. As a result, businesses tend to change their sales structures only when major events – such as the failure to meet targets, a change in rivals' strategies, or mergers – force them to do so.

This conservatism doesn't serve companies well. The sales force structure that works during start-up is different from what works when the business is growing, during its maturity, and through its decline. The four life-cycle phases aren't mutually exclusive; some companies display characteristics of more than one stage at the same time. Many businesses go through the four stages in turn, but when new technologies or markets emerge, companies can also move nonsequentially through the life cycle stages. These days, businesses tend to go through the four phases more quickly than they used to, which makes it even more important to have a flexible sales force.

Over the past 25 years, we and our colleagues at ZS Associates have studied the sales force structures of approximately 2,500 businesses in 68 countries. Our research shows that companies that change their sales force structures in ways that correspond loosely to the stages a product or business goes through in its life cycle are more successful than those that don't.

During start-up, smart companies focus on whether they should depend on selling partners or create their own sales forces. If they decide to set up sales organizations, they pay a lot of attention to sizing them correctly. As companies grow, sizing issues become even more important. In addition, executives must decide when to invest in specialist sales forces. When businesses hit maturity, the emphasis shifts to making sales forces more effective by appointing account managers and better allocating salespeople's resources, and making them more cost-efficient by using less expensive people such as telesales staff and sales assistants. Finally, as organizations go into decline, sales leaders' attention shifts to reducing the size of sales forces and using even more cost-efficient ways to cover markets. In the following pages, we'll explore in depth how companies can develop the best sales force structures for each of the four stages of the business life cycle. (See the exhibit "The Four Factors for a Successful Sales Force.")

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Start-Up: Making the Right Moves Early

Sales leaders of new companies and new divisions of existing companies are eager to exploit opportunities in the marketplace and are under pressure to demonstrate success quickly. While a start-up has to worry constantly about selling costs, a new division can draw on some of the parent company's financial and human resources. Still, since both their sales forces must create awareness about new products and generate quick sales, the organizations face the same structural dilemmas.

Do it yourself, or outsource? The central decision that a new business must make is whether it should sell its products directly to customers or sell them through partners. Although many entrepreneurs outsource the sales function, that may not always be the right decision.

To be sure, by tying up with other companies, new ventures save the costs of building and maintaining sales forces. Partnerships can also help executives manage risk better since start-ups often pay only commissions on sales; if products don't sell, their costs are minimal. Moreover, new businesses can enter markets rapidly by working alongside companies that have sales expertise, influence over sales channels, and relationships with potential customers. For example, in the 1990s, Siebel Systems used systems integration consultants, such as Accenture, to build its enterprise software business quickly.

Companies that decide to outsource the sales function should segment the market and develop sales processes that meet each segment's needs. Then they should select a partner, or partners, that will implement those selling processes effectively. To succeed, a company needs its selling partners' attention. Start-ups must develop partner management systems that include marketing programs and incentive schemes and appoint partner managers who provide selling partners with encouragement, process assistance, sales analytics, and end-user data. All too frequently, companies rely on money to motivate partners, not realizing that incentives aren't a substitute for systems and supervision. Companies should track performance closely, quickly terminate agreements with partners that don't perform well, and shift to selling directly when it's in their long-term interest to do so.

In our experience, many businesses depend on their selling partners for too long. When companies outsource the sales function, they don't control the selling activity, have little power over salespeople, gain no channel power, and don't own customer relationships. As time goes by, it becomes more, not less, difficult to reduce dependence on selling partners. Many firms become stuck in partnerships that inhibit growth. Take the case of SonoSite. When it launched the world's first handheld ultrasound machine in 1999, the company decided to use a well-known distributor to sell the product in the United States. Since the ultrasound device was technologically complex, the distributor needed to educate potential customers. That required a multistep selling process, which the distributor didn't use for the other products it sold. After two years of disappointing sales, SonoSite dropped the distributor and started selling the device itself. A year after it had staffed its sales force fully, its revenues rose by 79%.

Although outsourcing is popular today, we're convinced that companies should use selling partners only if they stand to gain strategic advantages as well as cost benefits. Those advantages come in several flavors. Many partners turn products into solutions, which can greatly increase sales. For example, value-added resellers create systems that combine their own software with computer hardware from different manufacturers. Start-ups also gain access to customers when their products become part of an assortment that a partner offers. For instance, a computer accessories manufacturer could benefit by tying up with distributor CDW, which delivers a range of computer-related equipment to companies in the United States. Only when partners provide strategic advantages are selling relationships likely to endure.

How big should the sales staff be? During the start-up phase, sales forces have to educate potential customers about products and change customers' buying processes before they can generate sales. Salespeople also must chase down and make every possible sale in order to drive business. That's a lot of work, but new ventures have limited capital to invest in attracting and developing good salespeople. As a result, many new businesses adopt an "earn your way" approach to sizing their sales forces – they start small and add more feet on the street after they have generated the money to pay for them.

The Four Factors for a Successful Sales Force

A company must focus on different aspects of its sales force structure over the life cycle of the business, just as it matches customer strategy to the life cycle of a product.

	BUSINESS LIFE CYCLE STAGE			
	Start-Up	Growth	Maturity	Decline
EMPHASIS				
ROLE OF SALES FORCE AND SELLING PARTNERS	★★★★	★★	★	★★★
SIZE OF SALES FORCE	★★★	★★★★	★★	★★★★
DEGREE OF SPECIALIZATION	★	★★★★	★★★	★★
SALES FORCE RESOURCE ALLOCATION	★★	★	★★★★	★
UNDERLYING CUSTOMER STRATEGY				
	Create awareness and generate quick product uptake	Penetrate deeper into existing segments and develop new ones	Focus on efficiently serving and retaining existing customers	Emphasize efficiency, protect critical customer relationships, exit unprofitable segments

The moment signs of success emerge, businesses should increase the size of their sales forces quickly and aggressively.

This approach sounds eminently logical but often results in companies leaving money on the table (see the exhibit "How Sales Sizing Strategies Stack Up"). Between 1998 and 2004, we forecast the sales and profit implications of different sales force sizes for 11 start-ups in the health care industry. In ten of the companies, sales leaders chose to create teams that were smaller than the optimal size. In fact, the average size was just 64% of the optimal. By not hiring enough salespeople, each of those companies missed the opportunity to earn tens of millions of dollars in additional sales and profits in their first three years. Tellingly, only one business sized its sales force optimally during the start-up stage – and it went on to become the leader in an overcrowded market segment.

We don't fault sales leaders for investing cautiously when they are short of cash or if the future is uncertain. The trouble is, most companies don't increase their investments in sales forces even when the future becomes clear. The moment signs of success emerge, businesses should increase the size of their sales forces quickly and aggressively. Otherwise, they will forfeit sales and profits – and, perhaps, even their futures.

On the flip side, start-up divisions of existing companies often overinvest in salespeople. Their desire to be competitive results in sales forces that, given the nature of the business opportunity, are too big to be profitable.

Growth: Building on Success

During the start-up stage, many companies' product lines are narrow, and they operate in a small number of markets. As businesses grow, their product portfolios expand, and their sales forces have to call on prospects in a broader set of markets. This presents sales managers with two challenges: specialization and size.

The need to specialize. In the growth phase, it's not sufficient for many companies to maintain a sales force of generalists who sell the entire product line to all markets. Salespeople need to master multiple products, markets, and selling tasks at this stage. As repeat sales become a larger proportion of sales, customers will require service and support, adding to salespeople's workloads. As tasks grow beyond the salespeople's capacity to perform their jobs, they are likely to drop the customers, products, and selling activities that are most difficult to manage. Unfortunately, what they drop may be lucrative or strategic opportunities for the business. At this point, companies need to set up specialist sales forces.

Some specialist sales teams focus on products, others on markets, and still others on customer segments. Sales forces can also specialize in certain activities: Some salespeople concentrate on acquiring customers and others on servicing existing customers. Every kind of specialization has benefits and costs. For instance, specialization by markets reduces salespeople's focus on products, while product or activity specialization forces customers to deal with multiple salespeople. Many companies therefore create hybrid structures that include a mix of generalists as well as market, product, and activity specialists. One well-known software company has hired account managers to focus on all the needs of its major customers. The company's product specialists call on midsize clients that don't generate enough business to warrant account managers, and its generalist salespeople cover small companies whose needs don't justify visits by several product specialists.

The transition from a multipurpose sales force to a specialized one is always tough. The work changes considerably, and customer relationships are disrupted. Sales forces may need to adopt team-based selling techniques, making coordination and collaboration vital. The people who succeed in a team-based setting are likely to be different from the lone wolves who do well in a traditional sales force. Consequently, companies may have to recast parts of their sales forces.

Rejuvenated businesses face a slightly different predicament. When a company goes back into growth gear after a period of maturity or decline, its new offerings will have different value propositions and will open up new markets. Salespeople will need to sell differently, and they'll need retraining to do so. Companies may consider splitting their sales forces into groups that specialize in selling old and new products. If neither education nor restructuring delivers results, the company may have to replace the sales force.

Companies must revisit sizing issues when they move from generalist sales forces to specialist ones. On the one hand, specialists will have to cover larger distances than generalists did in order to call on the same number of customers; this means they'll lose time in travel. The company will therefore need more of them to cover its customer base. On the other hand, specialists are more effective than generalists are, so each sales call will be more profitable.

Getting the size right. Growth is usually a happy time in the evolution of a sales force. Sales come in relatively easily, and salespeople are full of optimism. Even so, companies often make critical errors in sizing their sales forces. They continue to understaff, and as a result, they're unable to capitalize on all the opportunities that exist.

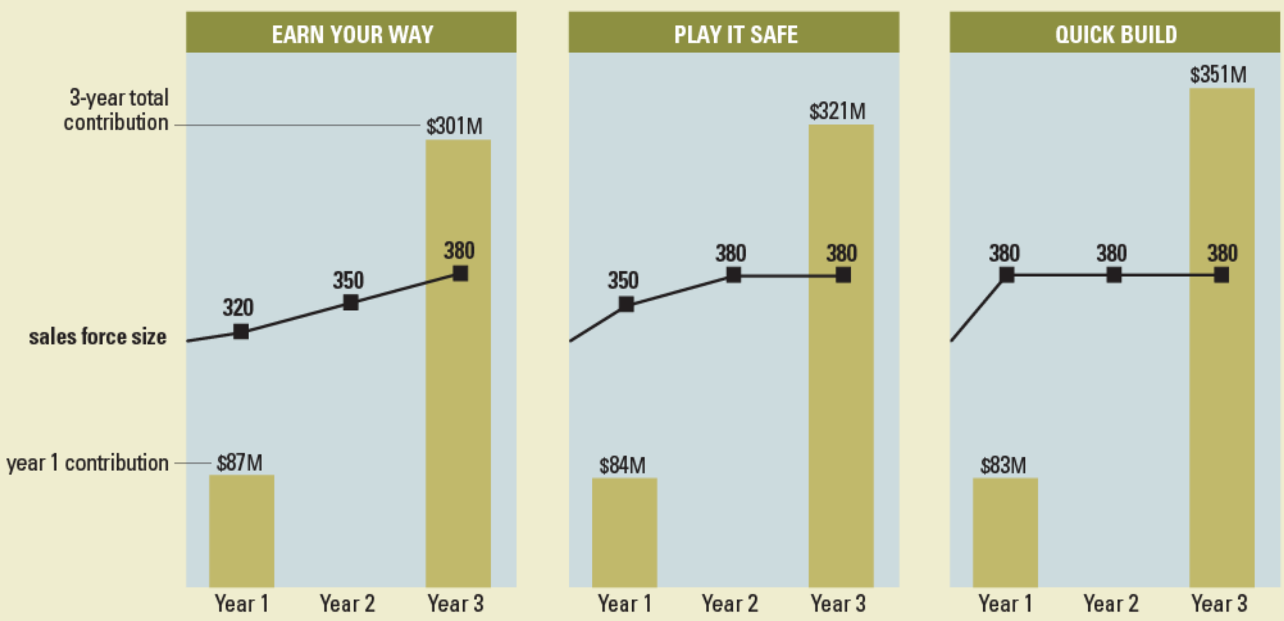
Most companies invest conservatively in salespeople because they don't realize that increasing the size of the sales force has short-term and long-term consequences. When new salespeople come on board, they initially generate small revenue increases. As time goes by, their impact gets bigger. That happens for several reasons. First, new salespeople are not as effective as they will be when they become veterans. Second, in markets with long selling cycles, it takes months of effort before salespeople clinch sales. Third, many purchases, especially in business markets, are not onetime orders but multiyear contracts. Finally, carryover sales – sales that accrue in the future but are the result of sales efforts in the present – vary across products and markets, but they represent a significant portion of every company's long-term revenues.

When a company increases the size of its sales force, it doesn't maximize sales or profits at first. Over time, however, the company will make more profits than if it had started with a smaller sales force. We analyzed data from sizing studies that ZS Associates conducted between 1998 and 2001 for 50 companies. We found that the sales force size that maximizes companies' three-year profits is 18% larger, on average, than the size that maximizes one-year profits. Such findings create competing priorities for sales leaders, who want long-term success but feel pressure to meet annual profit targets. Besides, they rightly believe that three-year projections are less accurate than one-year forecasts. A cautious approach is justified if there is considerable uncertainty over the future, but most sales leaders favor cost-minimizing tactics over profit-maximizing ones, even when the likelihood of success is high. Consequently, they don't hire enough salespeople to exploit the market fully.

Behavioral influences, too, exert pressure on executives to keep sales forces small. Most salespeople resist giving up accounts. They argue that new sales territories aren't justified; some threaten to join competitors if manage-

How Sales Sizing Strategies Stack Up

In their infancy, companies often undersize sales forces. The charts show the impact of three different sizing scenarios on one pharmaceutical company's profits. The figures are projections based on mathematical models. The pharmaceutical company, which started with 300 salespeople, found that an "earn your way" approach to staffing (increasing the sales force only as fast as revenues increase) resulted in the highest first-year contribution, but it yielded the lowest three-year contribution. The longer-term contribution was highest with a "quick build" strategy (quickly ramping up the size of the sales force to the long-term optimal level).



ment reduces their accounts bases. For instance, in 2005, when an American medical devices company set out to add 25 sales territories, salespeople and sales managers resisted. They exerted so much pressure that the company eventually created only 12 new territories, which resulted in lower sales and profits than the business could have generated by hiring more salespeople.

Sales leaders can reduce this kind of resistance by fostering a culture of change. They must set expectations early, so that salespeople realize from the outset that, as the business grows, there will be changes in territories and compensation. Some companies periodically reassign accounts between territories to maintain the right balance. Others set lower commission rates on repeat sales, or pay commissions, after the first year, only after a salesperson's revenues exceed a certain level. These tactics give companies the flexibility to expand territories and sales forces in the future.

A company should determine the most appropriate size for its sales force by evaluating the probable size of the opportunity and assessing the potential risks of pursuing an aggressive or conservative approach. An aggressive strategy is appropriate when the business has a high likelihood of success and management has confidence in the sales projections. A more conservative strategy works when greater uncertainty surrounds the business's success.

Two types of sizing errors are common. First, if sales force growth is aggressive, but the market opportunity is moderate, the company will end up having to reduce its sales force. Second, if sales force growth is conservative, but the market opportunity is large, a business may forfeit its best chance to become a market leader. To make better decisions about sales force sizing, companies must invest in market research and in developing forecasting methods and sales response analytics. (See the exhibit "Sizing the Sales Force by the Numbers.")

Maturity: The Quest for Effectiveness and Efficiency

Eventually, products and services start to lose their advantage, competition intensifies, and margins erode. At this stage, sales leaders must rely more on resourcefulness than on increasing the scale of the sales effort. Their strategy should emphasize retaining customers, serving existing segments, and increasing the efficiency and effectiveness of the sales force.

Optimizing resources. In the maturity phase, companies must focus on optimizing the sales force's effectiveness. A study we conducted in 2001 shows that mature companies boosted their gross margins by 4.5% when they resized their sales forces and allocated resources better. While 29% of those gains came because the companies corrected the size of their sales forces, 71% of the gains were the result of changes in resource utilization.

Companies often don't optimize the allocation of their sales resources for several reasons. First, they use the wrong rules. For instance, executives often target customers with the highest potential even though these customers prefer to buy from competitors. Smart companies allocate more resources to products and markets that respond well to salespeople. Second, businesses frequently don't have data on the sales potential of accounts and territories or the responsiveness of potential customers to sales efforts.

There are no shortcuts on the road to effectiveness, though. Organizations can allocate resources best if they measure how responsive different products and markets are to sales efforts. Executives can do that by comparing sales results among similar-sized customers to whom they allotted different levels of effort. That analysis allows a company to evaluate the financial implications of different allocation scenarios. The company can then manage its sales force, even offering incentives on occasion, so that salespeople expend effort in the most productive ways. (See the exhibit "Optimizing the Maturity Phase.")

Businesses often find sales effort wasted. Some salespeople try to sell everything in the bag; others spend too much time with familiar or easy-to-sell products. Product managers may dangle the wrong incentives, distracting salespeople from spending time with more profitable offerings. In mathematical terms, a company maximizes long-term profits from its sales force when the incremental return on sales force effort is equal across products. But according to a study ZS Associates conducted in 2001, the ratio of the largest incremental return to the smallest return often runs as high as 8:1. That suggests a serious misallocation of selling effort among products. For instance, one business we studied wanted 100 salespeople to sell 37 products. Each item would have received, on average, just 2.7% of the sales force's time. An analysis revealed that the company's profits would soar if the sales force concentrated on just eight products. In fact, our studies show that focused strategies usually deliver better results than across-the-board ones. Thus, a company makes the greatest profits when its sales force spends its time with the most valuable subset of customers or with the most valuable products in its basket.

Good territorial alignment – the assignment of accounts, prospects, or geographies to salespeople – is a frequently overlooked productivity tool. When businesses adopt unsystematic approaches to carving up territories, sales force effort will not match customer needs. To measure the extent of the problem, in 2000, we analyzed data from 36 territorial alignment studies that we had conducted in eight industries in the United States and Canada. Our analysis showed that 55% of sales territories were either too large or too small. Because of the mismatches, businesses were passing up between 2% and 7% of revenues every year. Companies can create and maintain territorial

Sizing the Sales Force by the Numbers

Every company in growth mode should conduct a break-even analysis to check if its sales force is the right size. That involves computing the break-even ratio (the ratio of the incremental sales revenue per additional salesperson to the break-even sales), estimating the carryover sales rates, and using those estimates to determine the three-year return on investment in sales staff.

To determine the break-even ratio:

1. Estimate the annual cost of a salesperson (**C**), the gross margin (**M**), which is the amount of sales revenue that the business keeps as profit after deducting variable costs, and the gross margin rate (M_R) which is gross margin expressed as a percentage of sales revenue.
2. Calculate break-even sales by dividing the cost of a salesperson by the gross margin rate. ($C \div M_R = B$). That's the amount a salesperson must sell in a year to cover his or her costs.
3. Estimate the incremental sales revenue that an additional salesperson could generate in a year. (**I**)
4. Divide the incremental sales revenue per additional salesperson by the break-even sales to compute the break-even ratio ($I \div B$). A ratio of 2.00, for instance, implies that a new salesperson will generate gross margin equal to twice his or her cost in a year.

Break-even =

To determine the carryover sales percentage:

5. Estimate the percentage, based on past trends, of this year's sales that the company will retain in future years without any sales force effort. Those are the carryover sales percentages (K_2 for next year and K_3 for the year after).

Carryover =

$\overline{K_2}$ $\overline{K_3}$

To determine the three-year ROI on sales staff:

6. Take the sum of the gross margin on the incremental sales revenue that an additional salesperson can generate in year 1, the incremental gross margin on carryover sales in year 2, and the incremental gross margin on carryover sales in year 3.
7. Subtract from that sum the annual cost of an additional salesperson.
8. Divide the total by the additional salesperson's annual cost. The result is expressed as a percentage. The formula looks like this: $[(M_R \times I) + (M_R \times I \times K_2) + (M_R \times I \times K_3) - C] \div C$

ROI =

The break-even ratio and the first-year carryover rate can tell you how to size your sales force. In the table below, the numbers in each cell represent three-year returns on sales force investment. Businesses can set their own criteria, but in our experience, companies have sized their sales forces optimally when the ROI is between 50% and 150%. If the ROI is below 50%, the sales force is too large, and if it is over 150%, the force is too small.

NEW SALESPERSON SALES / BREAK-EVEN SALES	CARRYOVER									
	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%
0.25	–75%	–72%	–69%	–65%	–61%	–56%	–51%	–45%	–39%	–32%
0.50	–50%	–45%	–38%	–31%	–22%	–13%	–2%	10%	22%	36%
0.75	–25%	–17%	–7%	4%	17%	31%	47%	64%	83%	103%
1.00	0%	11%	24%	39%	56%	75%	96%	119%	144%	171%
1.25	25%	39%	55%	74%	95%	119%	145%	174%	205%	239%
1.50	50%	67%	86%	109%	134%	163%	194%	229%	266%	307%
1.75	75%	94%	117%	143%	173%	206%	243%	283%	327%	374%
2.00	100%	122%	148%	178%	212%	250%	292%	338%	388%	442%
2.25	125%	150%	179%	213%	251%	294%	341%	393%	449%	510%
2.50	150%	178%	210%	248%	290%	338%	390%	448%	510%	578%
2.75	175%	205%	241%	282%	329%	381%	439%	502%	571%	645%
3.00	200%	233%	272%	317%	368%	425%	488%	557%	632%	713%
3.25	225%	261%	303%	352%	407%	469%	537%	612%	693%	781%
3.50	250%	289%	334%	387%	446%	513%	586%	667%	754%	849%
3.75	275%	316%	365%	421%	485%	556%	635%	721%	815%	916%
4.00	300%	344%	396%	456%	524%	600%	684%	776%	876%	984%

Oversized   Right size   Undersized

alignment by measuring the time and effort necessary to service customers every year. They should take accounts away from salespeople who can't give them sufficient attention and transfer the accounts to those who don't have enough work.

The account manager's emergence. Many a business discovers in the maturity stage that the use of product specialists is posing coordination problems and confusing customers that must deal with several salespeople. Smart companies appoint managers for the largest accounts. These account managers coordinate the sales effort and bring in product specialists when customers need expertise. In addition to increasing revenues, the appointment of account managers boosts customer satisfaction and often reduces selling costs. During an American medical-products company's growth phase in the 1990s, it added a specialist sales force for almost every new product it launched. Eventually, some large hospitals had more than 30 salespeople from the company visiting them every week, many of whom called on the same contacts. Travel costs soared, and, worse, customers became confused by the large number of salespeople visiting them. Realizing the problem, the company reduced the number of specialist salespeople and added managers to coordinate selling activities at large accounts. That helped the company save costs and strengthen customer relationships.

Companies must also find the most inexpensive ways to get work done. They can use sales assistants and part-time salespeople to woo small or geographically dispersed customers and to sell easy-to-understand products. Businesses can also use telesales staff to perform activities that don't require face-to-face contact with customers. For example, one newspaper company we consulted with hired sales assistants in 2005 to take over several non-selling and administrative tasks. Before the assistants arrived, salespeople spent only 35% of their time with prospects and customers. The assistants' arrival freed them to spend more time on sales-related tasks. In addition, since the assistants received lower salaries than the salespeople did, the sales force's efficiency rose sharply.

Decline: Living to Fight Another Day

Companies go into decline when products lose their edge and customers shift to rivals. As CEOs search for breakout strategies, sales forces must do everything they can to help businesses remain viable. The most vital decisions relate, as they did during the start-up stage, to the sales force's size and the role of selling partners, but executives' choices depend on whether or not they foresee a turnaround.

When a turnaround is likely. Some businesses know their decline is temporary. They plan to boost revenues and profits in the not-too-distant future by launching new products or by merging with other companies. However, turnarounds often demand different sales force structures than the ones companies have. A smart company therefore determines what kind of structure it will need for the sales force to achieve its new goals. Then it identifies and preserves elements of the current structure that are consistent with the one it will need. That's critical; executives shouldn't tear down the parts of the sales organization that will be valuable in the future. For instance, companies often downsize sales forces to save costs in the short run, although they may need more, not fewer, salespeople to implement new strategies.

Many sales leaders take advantage of temporary declines to eliminate mediocrity in their sales forces. Once the turnaround starts, they hire salespeople who are more qualified than the ones they let go. Sometimes what looks like a misallocation of resources is really mediocre performance. Take the case of a Chicago-based software company that was in decline in the 1990s. The company's sales process evolved appropriately, with salespeople becoming skilled at protecting current business. When the firm launched some new products, it realized that few of its salespeople had the skills and appetite to pursue new customers and markets aggressively. Instead of sacking salespeople, the software firm created two roles: current account managers, or "farmers," and new business developers, or "hunters." The veterans continued to manage existing customers, which suited their capabilities, while sales leaders hired most of the new business developers from outside the organization. That helped the software company move quickly from decline to growth.

When a turnaround isn't likely. When further decline is inevitable, sales organizations can only ensure that companies remain profitable for as long as possible. Businesses should use their salespeople to service the most profitable, loyal, and strategically important customers, and service other accounts through low-cost selling resources such as telesales staff or external partners.

Protecting the most loyal customers and the best salespeople are top priorities. Companies need to focus loving attention on key customers that, fearing the salespeople managing their accounts will soon be gone, will entertain competitive offerings. They must reassure these critical accounts about the immediate future, particularly by retaining star salespeople. When the sales force starts to worry about downsizing, the best salespeople will be the first to leave. Even as companies prepare to let other people go, they must pay stars handsomely to keep them. In addition, strong leadership is essential during downsizing, and only timely and straightforward communication from sales leaders can maintain a reasonable level of morale and motivation.

To decide how quickly it should reduce head count, a company must assess the market opportunity that remains and the risks of different downsizing strategies. A gradual sales force reduction works well when the op-

Optimizing the Maturity Phase

Mature companies optimize their resources when sales forces focus on the customers, products, and selling activities that generate the highest response to their sales efforts. To do that, sales leaders must ask themselves the following questions:

RESOURCE ALLOCATION DECISIONS		
Customer	**Product**	**Activity**
What market segments should we focus on: - High volume or low volume? - Highly profitable or less profitable? - National accounts or smaller accounts? - New or old accounts? What industries do we call on? What geographic areas do we focus on: local, regional, national, or international? Which accounts should headquarters staff call on, and which should field sales call on?	What products should we focus on: - Existing or new? - High volume or relatively low volume? - Easy to sell or hard to sell? - Familiar or unfamiliar? - Differentiated or nondifferentiated? - Products with long selling cycles or short selling cycles? - Products with high short-term impact and low carryover or with low short-term impact and high carryover?	What activities should we focus on: - Hunting for new customers or retaining old customers? - Selling or servicing? How do we allocate relationship experts, product experts, and industry experts?

portunity is declining at a modest rate, but it is a poor strategy when the market is disappearing quickly. Errors are common. Many businesses downsize the sales force slowly, remaining hopeful between each wave of layoffs that the trend will reverse. When it doesn't, the high cost of the sales force will render the company unprofitable faster. One common tactic for gradual downsizing is a hiring freeze. That isn't an effective way to downsize sales forces, particularly when the opportunity decline is significant. Sales force attrition usually doesn't occur quickly, and if salespeople who cover important accounts leave, a hiring freeze will result in suboptimal market coverage.

Rapid sales force reduction is the best course when the market is in a steep decline. Survivors will know they have some kind of job security, customers will have greater confidence about what the future holds, and sales leaders can start building a smaller, more focused sales organization. The risk with rapid sales force reduction, though, is that if the decline turns out to be less severe than expected, more people will lose their jobs than necessary. Although the business will remain profitable for a while, the rate of decline will be greater than if head count reductions had been modest. If there's a lot of uncertainty about the rate at which the market is shrinking, companies should consider downsizing the sales force in small but discrete steps.

Improving the efficiency of sales forces and searching for lower-cost selling channels are critical when companies are in decline. By using less-expensive selling resources, companies can continue selling to some segments. That entails moving the coverage of some customers from specialty salespeople to generalists, and shifting the coverage of other customers from field salespeople to telesales staff. As in the maturity stage, companies can shift the selling of easy-to-understand products and the execution of administrative tasks to less expensive resources, such as sales assistants, telesales staff, part-time salespeople, and the Internet.

It's not easy, but a systematic cost-reduction program can help companies live to fight another day. Take the case of an American lubricant manufacturer that in early 2005 needed to cut costs radically to preserve profitability. The company revised its channel strategy, moving the coverage of thousands of customers to selling partners. Those partners had less expensive overheads, such as office space and employee benefits, so their costs were lower than those of the manufacturer. The company shrank its sales force and got the remaining salespeople to focus on selling only to large customers. By the end of the year, the lubricant company had turned the corner.

• • •

Sales leaders who try to match sales force structures with the business life cycle face different challenges at every stage. The common thread, though, is that they must overcome organizational resistance at each step and sacrifice short-term profits to secure their companies' success over time.

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To order, see page 191.

THE HBR INTERVIEW

FRED HASSAN *Interviewed by Thomas A. Stewart and David Champion*

LEADING CHANGE FROM THE TOP LINE

Every turnaround specialist uses a unique recipe. For Schering-Plough's CEO, a key ingredient is a motivated and respected sales force.

Most CEOs who specialize in turning around struggling companies focus on costs. Nissan's Carlos Ghosn, for example, was dubbed "le cost killer" by the French press. Tyco's Ed Breen and Aetna's Jack Rowe are both associated with head-count reductions. JPMorgan Chase's Jamie Dimon is celebrated for his "ruthless" approach to cost cutting.

But for Fred Hassan, chairman and CEO of the global pharmaceutical company Schering-Plough, the primary focus in a turnaround is the top line, and all his long-term corporate transformations

DANIELA STALLINGER

have begun with the sales force. In part, that's a reflection of his professional roots. Hassan began his career in fertilizer sales, an improbable choice for the soft-spoken, almost self-effacing son of a Pakistani diplomat and a women's rights pioneer. The experience of those early days has influenced a long and successful career. Since 1997, when he took over the deeply troubled European-American drug giant Pharmacia & Upjohn (P&U), Hassan has built a reputation for being in tune with the front lines.

It's clear that Hassan relishes a challenge. After completing P&U's merger with Monsanto in 2000, leading the new company–called Pharmacia–to health, and then steering it through its $60 billion acquisition by Pfizer in 2003, he was immediately tapped to take the helm at a struggling Schering-Plough. Over the past three years, he has overseen a remarkable recovery in performance, with improvements in every area of the business. Consistent with this CEO's approach, the turnaround started with sales.

For all these reasons, Hassan was a natural choice to be interviewed for *Harvard Business Review*'s double issue on sales. HBR editor and managing director Tom Stewart and senior editor David Champion visited Hassan in early February at Schering-Plough's bright and airy headquarters in Kenilworth, New Jersey. During the conversation, it became clear that Hassan sees sales as the key to regaining control of the top line, which in his experience is more important than cost control as a long-term value driver. By focusing immediately on restoring sales force performance, a CEO can deliver a rapid turnaround in the numbers, which helps bankroll other essential changes while buying time for longer-term initiatives.

A critical challenge for a management team is to motivate and organize salespeople to develop the right kind of customer relationships. In the pharmaceutical industry, that means creating bonds of trust between sales reps and medical professionals looking for better ways to care for patients. Indeed, the best way to gain market share in a crowded field is to be the salesperson to whom the customer turns for help. To make sure that he gets his vision across, Hassan works hard at reaching out to the frontline managers who supervise salespeople as well as interacting with the reps themselves. This unusually high degree of personal attention from a CEO not only makes the sales force feel respected but also gives Hassan valuable strategic insights. What follows is an edited version of the interview transcript.

Thomas A. Stewart is the editor and managing director of HBR and *David Champion* (dchampion@hbsp.harvard.edu) is a senior editor at HBR.

You're a CEO known for leading turnarounds from the top line. Why do you focus on sales?

The media like to point to a restructuring or a major strategic move as the key to a turnaround. But no restructuring or strategy will succeed long term unless you get control of your top line. Look at the U.S. auto industry. We can keep closing plants, but the real execution challenge is to reverse the market share slide. My first turnaround as CEO was with the failing Pharmacia & Upjohn merger. Although cost reduction numbers in the wake of that deal were largely on target, the bottom line was headed for a big shortfall because of a $2 billion gap in sales. The numbers were bad enough in themselves, but even worse, they had sent morale into a downward spiral, and the salespeople were among the most demoralized. They heard negative stories from customers on one side, and they got a bad vibe from the home office on the other. All this affected their numbers, which hurt morale even more. But because we focused on the salespeople early and got them to buy into the turnaround strategy, performance rebounded very quickly, which bought us time with investors.

> *No restructuring or strategy will succeed long term unless you* **GET CONTROL OF YOUR TOP LINE.**

In our industry, you really have little choice but to lead a turnaround from sales. You can always look good for a year or two by taking out some costs, but you have to be careful not to shortchange quality and patient safety. And you can't cut back on R&D because that's your future. You also can't lead a turnaround from the product side because R&D cycles in pharmaceuticals take ten to 15 years, so improvements you implement in drug discovery and development don't make much immediate difference. You have to deal with sales of the drugs you already have–or are about to have–and that window of opportunity is precisely defined because you know exactly how long you'll have patent protection. An effective sales force lets you make the most of that time. And, of course, it sets you up to take maximum advantage of any changes and improvements in discovery and development when those kick in later.

If sales is so important, why does it get such short shrift?
Most CEOs have financial, science, marketing, legal, or manufacturing backgrounds–and no sales experience. So they don't identify with the people who interact with customers. I think that's where the disconnect comes from. Paradoxically, marketing people are sometimes guilty of undervaluing salespeople as well. In the more extreme cases, they'll treat sales reps as just another conduit for the company's message, along with direct mail and advertising. But salespeople are much more than a passive medium. They are active representatives of the company and can influence people's perception of it through their ability to interact, to customize, and to build relationships with customers. Thinking of the sales force as anything less than that is a big mistake.

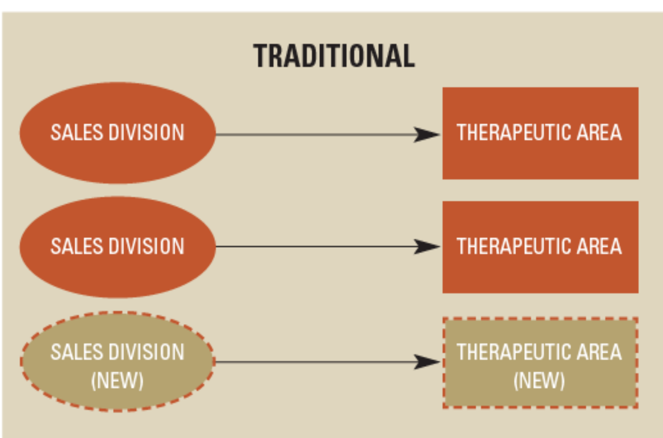
How do you avoid making that mistake?
You have to differentiate the salesperson in the customer's mind–just like you differentiate brands. The typical high-volume general practitioner is usually well known to all the drug companies. He probably sees as many as 50 to 60 different reps on a regular basis. He's got to decide who he is going to let into his inner circle of trust – and that may be only 15 reps. We work hard at being included in this circle. That means making each customer experience more than a typical detail call, in which the rep gives his scripted presentation and that's it. Standard detail calls program the doctor to treat the rep as nothing more than an information conduit. The key is to make the relationship value adding so that the doctor comes to trust our rep and looks forward to seeing him.

A trusted salesperson can be very helpful to doctors. Doctors are much more pressed for time than they used to be, which limits their ability to keep up with new developments. At the same time, patients now demand much more information, so doctors somehow have to stay abreast of medical advances and all sorts of other information. Fifteen years ago, patients wouldn't have been quizzing their doctors about the side effects of prescribed drugs. Today everyone wants to know about the drugs they may take, and the more sales reps can help doctors handle these questions, the more valuable they will be. That's why our reps differentiate themselves by focusing on science and on the concerns of patients–the doctor's customers. This means, of course, that reps must be forthcoming about the medicines they sell. And along with that knowledge, they must bring integrity and honesty about the science to their jobs if they're to build trust-based relationships with doctors.

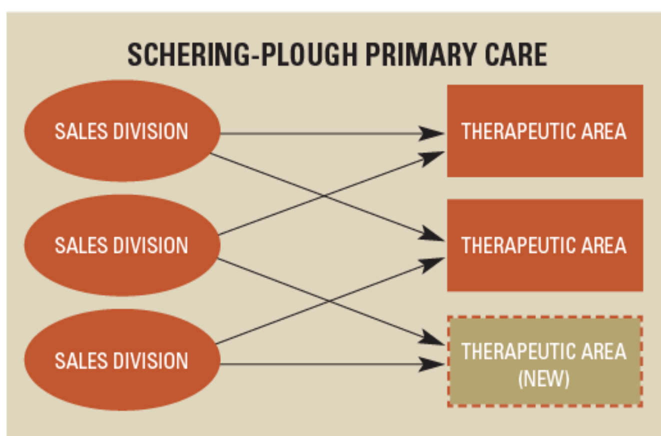
How do you set salespeople up to seek out and develop those kinds of relationships?
We begin by attracting and retaining people who have the right attitude and behaviors. They must enjoy the professional aspects of selling or they won't become A players. We've also adjusted the salary and bonus ratio in the compensation package to give a relatively high salary component, which reduces the kind of hyperactive selling that undermines long-term trust building. And we inculcate

Organizing for Trust

Two years ago, Fred Hassan's management team instituted a major sales force restructuring at Schering-Plough. Today, unlike the sales forces at most pharmaceutical companies, Schering-Plough's salespeople are not organized by and large by therapeutic area. Instead, the company has structured its sales force according to doctors' needs, which means that individual sales reps carry products from multiple therapeutic areas. This structure not only increases the company's marketing flexibility but also gives salespeople more ways to make themselves valuable to their customers. The diagrams below are not an exact representation.



A new sales division is required to support a new therapeutic area.



The existing sales divisions can add a new therapeutic area to the products they already carry.

our philosophy further through our sales training programs. We've also found that it helps to cover multiple therapeutic areas in servicing primary care physicians. At pharma companies, the primary care sales forces are often organized along therapeutic lines. A sales rep promotes only cardiovascular products or only central nervous system products, and so on. At Schering-Plough, in contrast, two years ago we reorganized most of our primary care sales force into six "mirrored" divisions, which are all the same in terms of structure. Each division has around 500 reps, and each rep serves one of about 500 territories, which means we have about 3,000 salespeople covering some 500 territories. Any rep in any division can, in principle, carry several kinds of Schering-Plough products, which gives us great flexibility in setting selling priorities for our reps and introducing new products. (See the exhibit "Organizing for Trust.")

If you had a therapeutically oriented sales force covering, say, allergy and oncology products and came up with a new cardiovascular product, then you would either have to acquire a whole new sales team or force teams in other therapeutic areas to compromise their work to sell the new drug. We can just put a couple of our divisions on the job. During a large new-product launch, our mirrored divisions are especially powerful because we can have up to five sales reps meeting with a doctor. This kind of engagement would be much harder without our new structure. After the launch, our practices dictate that no more than two reps regularly discuss the product with any one physician.

I should add that once you've settled on a structure, you should keep to it for as long as possible. In theory, you could restructure sales territories every new selling period on the basis of new product priorities. A standard computer program can accomplish that. But it takes a rep six to 18 months to build a trusting relationship with a customer, so constantly breaking up relationships would turn every sales call into a detail call. That's why companies that rely on frequent restructuring to solve their sales problems usually end up in even worse trouble.

But how exactly does the new structure help build trust with customers?

It gives them more reasons to trust us. If you cover a broader range of treatments, you have a greater variety of ways to relate to the customer and more opportunities, therefore, to add value in the call. That gives you more opportunities to build trust. This is a subjective area, but we believe that our improving sales performance is linked to the increasing trust we are building in the doctor's office. A variety of measures, including physician feedback, suggests to us that our salespeople are steadily building trust with their customers. We also use data, such as in these slides, to sense how we're doing. (See the exhibit "Calling on Doctors.") If we get these types of things right, we believe our long-term value to shareholders will grow.

> ***YOU HAVE TO DIFFERENTIATE** the salesperson in the customer's mind–just like you differentiate brands.*

Has the emergence of other communication channels, such as the Internet and e-mail, affected the sales model in your business?

Not really. Personal interaction will be the core sales activity for a long, long time. That's how you build trust. That core activity will be more productive if you do good direct mail, have a good Web site, advertise well, or are visible at medical conferences and seminars. But anything extra you do thanks to new technology will tend to supplement rather than replace direct selling. Educating people through TV or print advertising, for example, gives them more questions to ask their doctors, which makes the doctors need trusted sales reps even more.

Let's look at the type of people who sell your products. Are they lone wolves or team players?

Obviously, they have to be good performers in their own right, but teamwork is essential as well. At the local district level, three or four different kinds of salespeople may need to share information and work together. If managed care colleagues have achieved approval for a product to be on a managed care formulary, other people on that sales team have to create the pull-through, and somebody else may have to get a hospital product onto a hospital formulary. The lone wolf approach works well in other industries, I guess–insurance or real estate, where you usually have to make only one sale to each customer. But it doesn't work in ours, where companies connect with customers in many different ways and repeatedly over a long period.

When you want to restore morale in a struggling sales force, where do you begin?

You begin with the district sales managers–the people

I call "frontline managers." If I can get this management team to understand my vision and strategy, the rest of the sales force will follow. It is very powerful when you are able to gain buy-in from the frontline managers because they then become a dedicated extension of senior management's vision. Typically, a frontline manager will be responsible for ten to 12 sales reps, who will be looking to her for confirmation that the strategy is really going to work. And it's not just her subordinates she'll influence. Salespeople in any industry are highly networked. People know what's going on in other companies. For all these reasons, we try to make the district managers our ambassadors from the center.

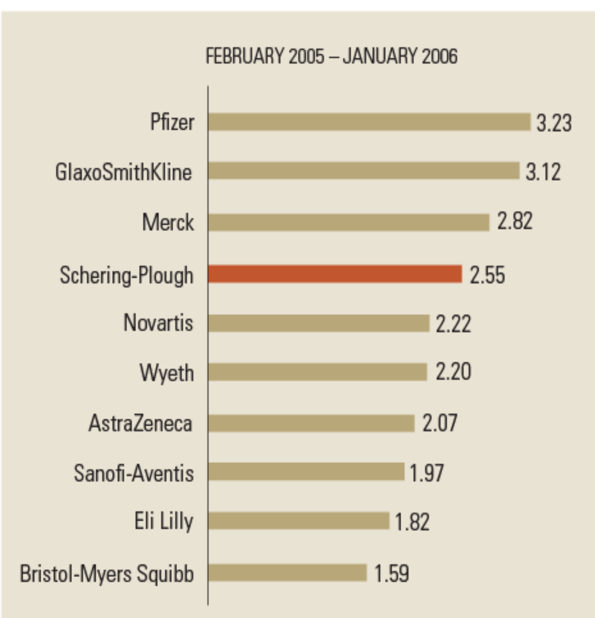
These managers were certainly an important factor in the first integration steps following P&U's merger with Monsanto in 2000. Very early in that process, I made sure that we got together with the Monsanto and P&U district managers in the United States and Europe. The point was to show them that instead of spending a lot of time on administrative issues, I was out there where it mattered. That helped motivate them and, in turn, the reps they managed, which meant that we didn't lose control of revenue during the merger process. In fact, we enjoyed healthy revenue growth.

How do you get salespeople to buy into your plans?
We make it a priority to educate people on the front lines about the company's strategy. That means letting them in on what I've been talking about with top management – I often end up in meetings with them using the same slides I showed to my senior management team or even to my board of directors. Linking them into strategy this way is really important because sales forces are often allowed to become detached from the center. In a way, I look on the salespeople as our first line of customers. If we can get them to feel that they're an important part of the company, then they won't immediately assume the worst if we have execution problems down the line with, say, the incentive plan. Then there are my CEO dialogues with the sales reps. These are regular meetings that I have with about ten sales reps at a time. The group is small enough that the reps can talk to me as individuals but big enough to generate a broad discussion. These meetings are always high-quality time. I've been doing this

Calling on Doctors

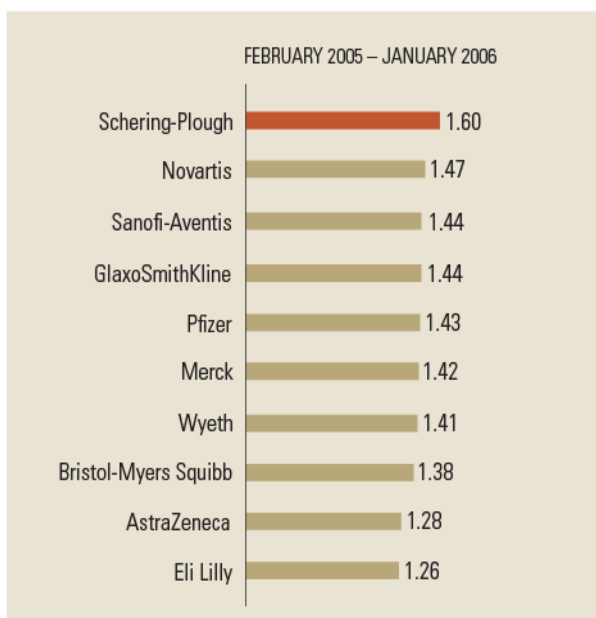
Pharmaceutical sales calls are monitored and analyzed by IMS Health, an independent consulting company. According to IMS's tracking system, visits by sales reps that are formally recorded by a physician's staff are counted as sales calls. On this measure, Schering-Plough ranks fourth, as the graph on the left shows. But IMS also tracks the outcome of the call by measuring the number of "contacts" with the physician and medical staff during the rep's visit. Examples of contacts include product discussions with doctors and various kinds of interactions with medical and office staff concerning products. On this measure, Schering-Plough tops the list, as the graph on the right shows.

AVERAGE CUSTOMER VISITS (CALLS) PER REP PER DAY



Source of call data: IMS Health, *Integrated Promotional Services Audit.*
Source of rep numbers: Verispan, *Pharmaceutical Sales Force Structures & Strategies Audit.*
Note: Calculations are based on an average of 17 field days per month.

CONTACTS PER CALL



Source: IMS Health, *Integrated Promotional Services Audit.*

long enough now that many of the reps have had several meetings with me, which helps me see how morale has progressed.

I also regularly meet our customers in different settings, both with and without my sales colleagues. This serves two purposes. First, it teaches me a lot about the effectiveness of the sales process. Second, it gives me an opportunity to make our sales colleagues feel that the company understands their position and wants to help. I went on calls once in Manhattan and saw that the rep had to carry around a bag of samples on foot and on public transportation. What reps in a city need, clearly, is a bag with wheels. When I came back, I made sure that my trip report, which I shared with my executive team, included this observation.

Some might feel that the personal attention you give to the sales force is excessive. Do you agree?

Not really. The sales force has to be up there with R&D and the global functions–especially Compliance. And role modeling begins at the top. I routinely report on my experiences to my top cross-functional managers, and I encourage them to go on sales calls. Yesterday morning at a management committee meeting, I made a point of asking about a national district managers' meeting that I hadn't been able to attend. The fact that we spend time in the most senior committee of the corporation talking about a meeting with frontline managers makes a strong impression. I also personally see more senior managers in the sales divisions on a regular basis than those from other divisions, even though they are not direct reports. All this ensures that everyone in our organization appreciates the efforts of our colleagues on the front line, who have to make their six, eight, or ten calls a day and get past all the obstacles to connect with busy doctors.

As a CEO, do you get involved in making sales?

In some industrial marketing companies, landing the big contracts is a way for a CEO to make headlines. But I have no interest in usurping the role of my sales colleagues. I focus on being in tune with our people and assuring them that I'm behind them, that I care about them, that I care about the reputation and integrity of our company, and that what they do is important to the company and to patients. I think that is where I make a difference.

It's easy to see that American salespeople would respond well to your approach. Does it pose any special challenges outside of the United States?

Not in my experience. Once people are in small groups, the cultural stereotypes don't apply anymore. People in sales are naturally extroverted, and that proves to be stronger than any cultural stereotype. When I went to Japan for my CEO dialogues with our sales reps there, a lot of people thought that none of the reps would say a word to me. But within about ten minutes, they became very lively. Another time, when I was with P&U, I met some sales reps in a remote part of China. To my surprise, they told me that one of the benefits they most appreciated was the company's stock option plan, which we had just put the sales reps on. Most people at the time thought that only Americans would really value a stock option plan. And yet here were sales reps in the depths of rural China telling me they liked it.

If some marketing people have blind spots when it comes to sales, how do you change that?

Many marketing people in the pharmaceutical industry started in sales. But schisms can arise, especially in times of stress. Left unmanaged, people in the field might point a finger at people in marketing, and vice versa. You have to fight this. One of Schering-Plough's six formally identified Leader Behaviors is "shared accountability and transparency." We make concerted efforts to model and teach the right behaviors to emphasize just how important they are. In one of my former companies, we went to a sales and marketing meeting and handed out T-shirts with the words "sales" and "marketing" on the front without a space between them. This symbolized what we wanted the department to be.

We also have various business processes that ensure that both sales and marketing resolve any tensions early on in a new project. One of the most important is the Plan of Action (POA) meeting. These meetings can take place three times a year, and they require marketing people to work with district managers and sales reps to develop special sales programs. The marketing people elicit input and feedback from the salespeople to design the best possible program, and there's a lot of emphasis on teamwork. In the end, our ability to plan and then execute as a team has greatly increased as a result of this process.

***WHAT YOU HEAR** from the front line can be a great corrective to the prevailing wisdom.*

Can you give us an example?

Sure. Let's say we were developing brochures to disseminate new approved clinical data on one of our products. From the very beginning, our market research colleagues would be speaking with customers to develop the initial messaging. We would then use a forum like the POA to involve the sales force in the early stages of the project–well before the brochures were finalized. This not only ensures that everyone buys into the brochure but also encourages the salespeople to actually use it with their customers. Once again, we've been able to give sales reps something they can talk about, and in so doing they will make sure that we get the information to the people who need to see it. A process like this takes more time on the front end, but I can tell you it's worth it.

Do you find that interaction with the front line generates any strategic insights?

Absolutely. The sales reps are usually the first to spot gaps in the product line. There was a case of this recently in our respiratory business. The sales reps had told me that they would like to be able to offer an antibiotic in addition to our antihistamine line. I remembered this request when the opportunity came up to access an antibiotic called Avelox, which is used to treat pneumonia. Licensing Avelox wasn't a very big deal in terms of its bottom-line effect, but its strategic fit was good. It allowed our salespeople to present a much broader range of respiratory products. It made the reps feel more relevant to their customers. I think they had started to feel that we weren't committed to respiratory products, so this move lifted their spirits and made them realize that we were serious about the area. If it hadn't been for their input, we would probably have passed on the Avelox opportunity, and Schering-Plough would have struggled longer in respiratory products.

What you hear from the front line can also be a great corrective to the prevailing wisdom. I worked at a company where the R&D people had developed a glaucoma drug for the Japanese market. The conventional wisdom was that because eye care was not a core business, the company should partner with a specialist Japanese distributor. We were all set to do this. But when I talked to our salespeople in Japan, they told me that being able to offer the glaucoma drug would really help them with their customers. They also believed they could do a better job than the Japanese distributor because they were better trained as sales professionals. We took the courageous step to give the product to our own people, which turned out to be a wise decision. The glaucoma product sold very well in its own right, and sales of other products also benefited because salespeople were motivated to do the best they could.

Reprint R0607G
To order, see page 191.

SCOTT ARTHUR MASEAR

"He's middle management."

Savvy Selling

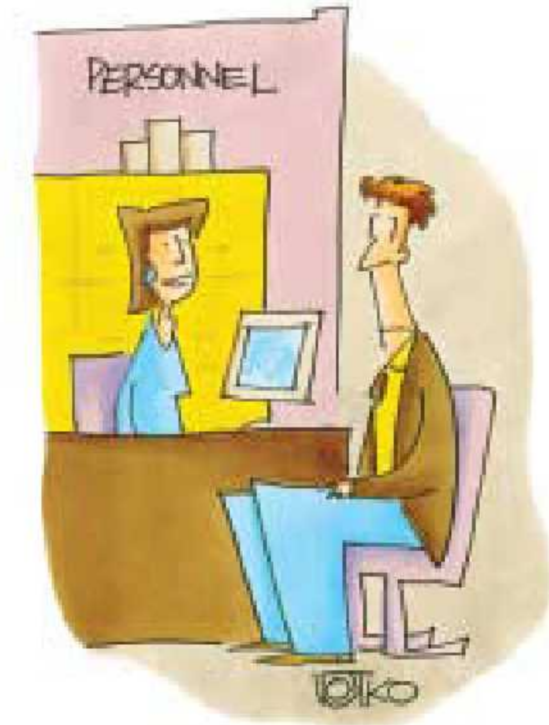
"What is the role of the salesman in consummating the sale? To what extent does he 'seduce' the prospect into buying, and to what extent does he use pressure to make the sale?…What really distinguishes the truly good salesman from the 'hack'?"

Robert N. McMurry
"The Mystique of Super-Salesmanship"
Harvard Business Review
March–April 1961

"And never let the buyer see you salivating."

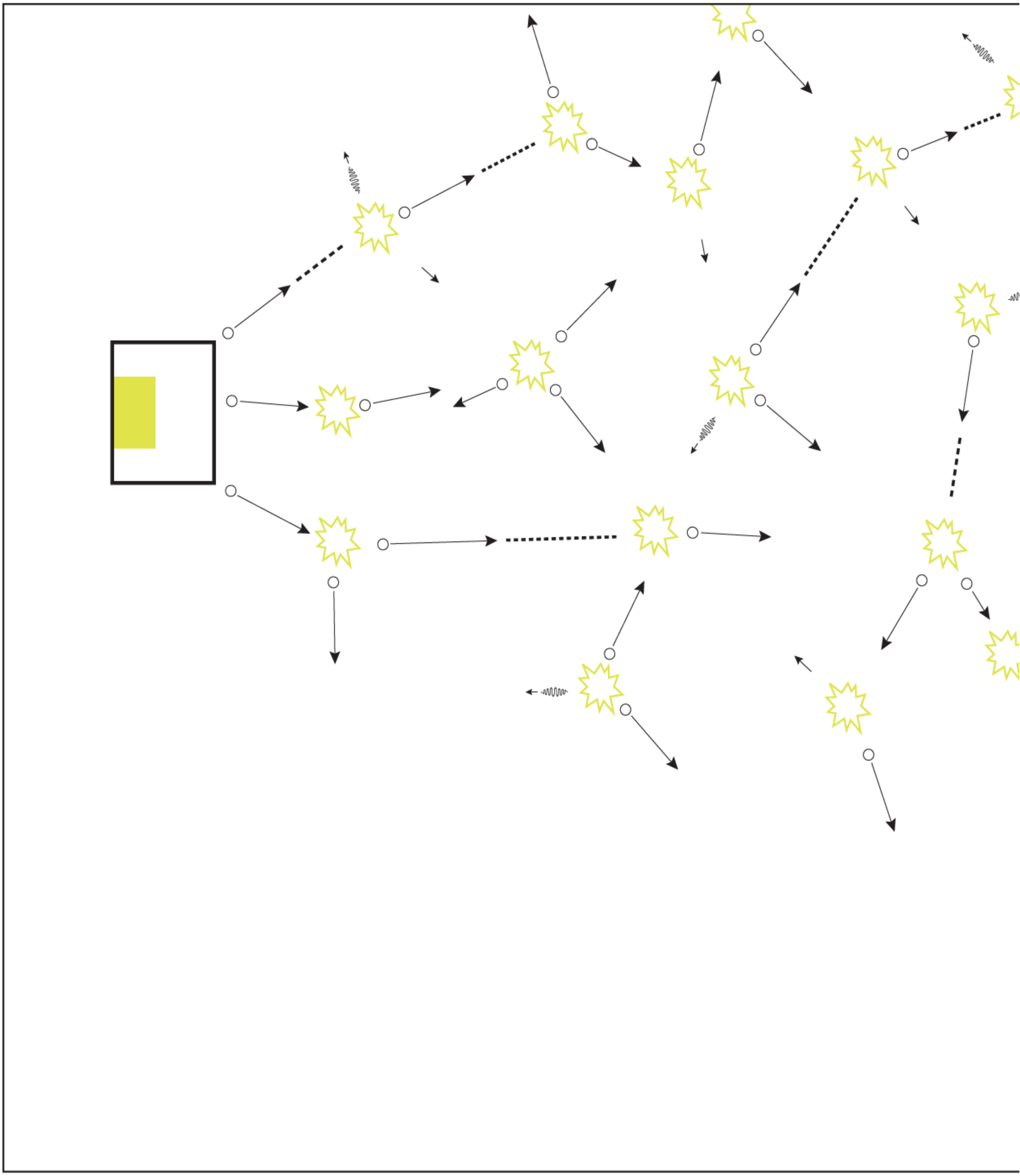
DAVE CARPENTER, C. COVERT DARBYSHIRE, SCOTT ARTHUR MASEAR, BOB VOJTKO, AND CHRIS WILDT

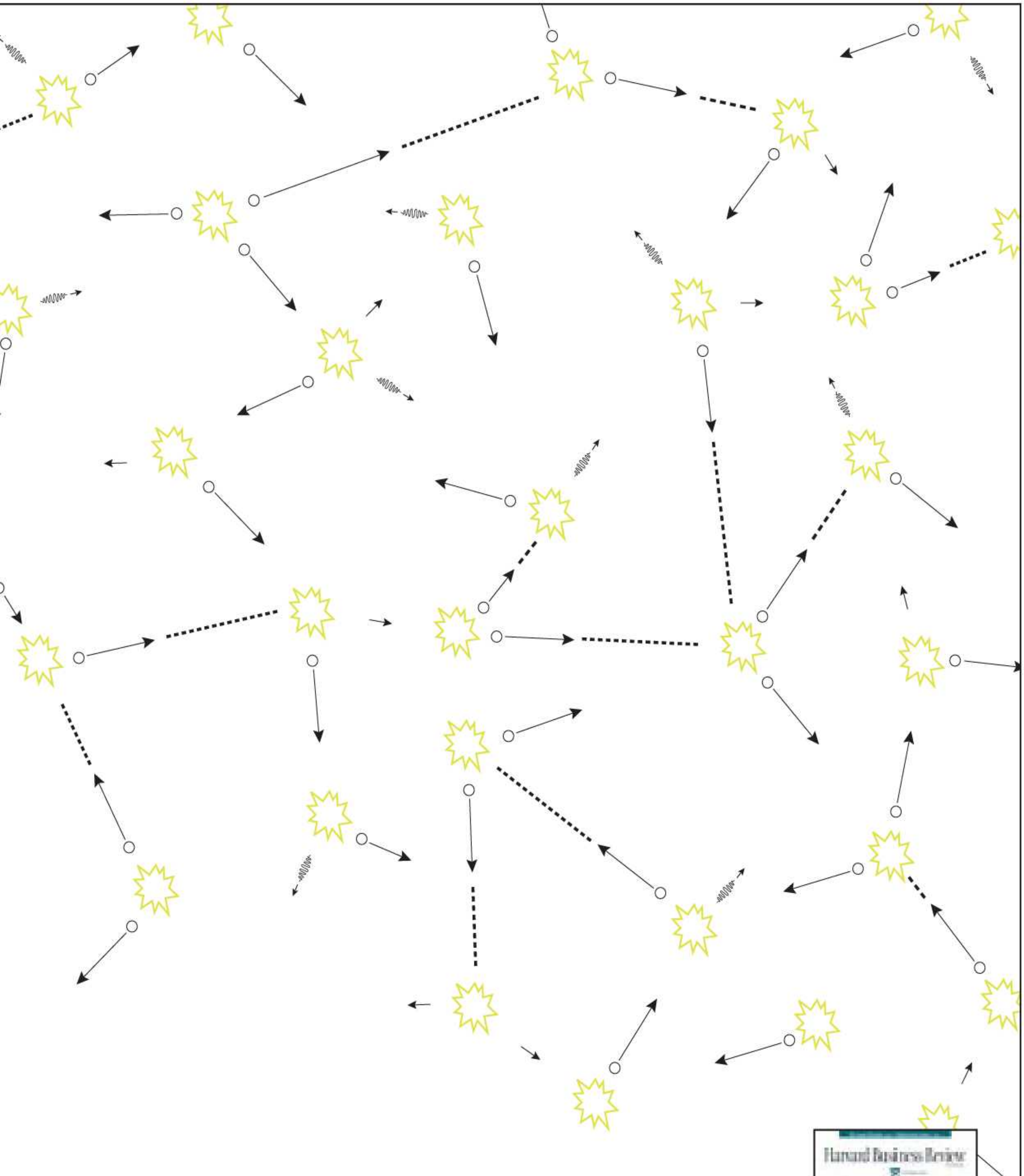
"Though the tortoise was severely speed challenged, he achieved his sales quota through a strict goal-specific program."



"We're looking for an aggressive, tenacious salesperson, like, for instance, the one who sold you that toupee."

"Everyone offers to carry her books – you need a better value proposition."






Harvard Business Review

A salesperson develops webs of customers, leads, and colleagues. Companies and salespeople can improve performance significantly by understanding the interplay among these different groups.

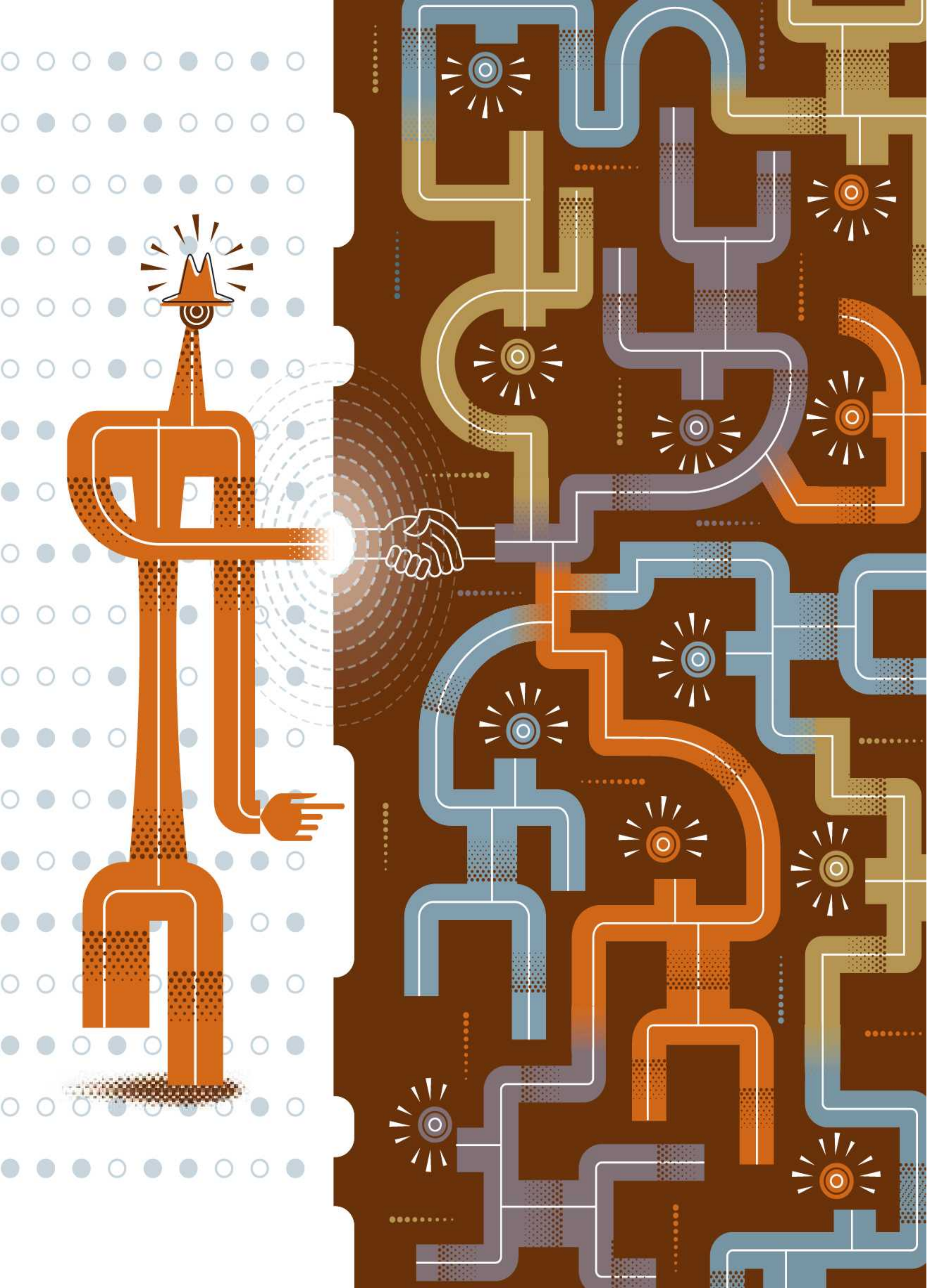
BETTER Sales Networks

by Tuba Üstüner and David Godes

ANYONE IN SALES WILL TELL YOU that social networks are critical: The more contacts you have, the more leads you'll generate and, ultimately, the more sales you'll make. While there's some truth behind that thinking, it's a vast oversimplification. Different configurations of networks produce different results, and the salesperson who develops a nuanced understanding of social networks will outshine competitors.

The salesperson's job changes over the sometimes lengthy course of the selling process, with each phase requiring its own particular set of abilities. The skills involved in finding a lead don't apply to, say, closing a deal. Moreover, each stage requires the salesperson to build and use a different kind of social network. A grouping of

CAMPBELL LAIRD



prospects, for instance, has little in common with the network of experts who might be needed to convince a customer to finalize a purchase. Yet few managers, and even fewer salespeople, know how to manage their networks efficiently.

To better understand sales networks, it's helpful to view the sales process as four distinct stages: identifying prospects, gaining buy-in from potential customers, creating solutions, and closing the deal. Success in the first stage depends on the salesperson's acquiring precise and timely information about opportunities (ideally, ones that competitors don't know about) from contacts outside the seller's organization and in the marketplace at large. In the next stage, the salesperson needs to map the prospect organization and secure meetings with key decision makers so that the selling firm gets the serious consideration it deserves. That involves knowing who in the prospect company makes the decisions, who has influence, and what the potential customer's underlying problem is. Because answers must come from within the prospect, the salesperson needs people inside that organization to help him achieve his goals.

In the third stage, the salesperson comes up with a solution for the prospect, but rarely on his own. Success here depends on the seller's ability to identify where the components of the solution reside in his own organization – and on his skill at mobilizing and coordinating these resources. At the final stage, closing the deal, the salesperson's job is to remove as many of the customer's uncertainties as possible. The prospect wonders: Is this truly the best solution? Can this company deliver it? Will the company be around in two years? Will the salesperson answer the phone when things aren't working out? The prospect will want to speak with other customers who can shed light on the risks, so the salesperson needs to mobilize contacts in prior sales to complete the deal.

In each stage, the salesperson's efforts can be boiled down to two essential and complementary types of network-management actions: managing the information flow and coordinating the efforts of contacts. Some stages require more of one type than the other. In fact, the more information managing that's required, the less coordinating, and vice versa. (See the exhibit "Different Networks for Different Tasks.")

Thus it's obvious that salespeople's individual skills – cold-calling efficiency, consultative abilities, and product knowledge – are necessary but not sufficient. If salespeople are to succeed, they need the resources embedded within social networks; that is, access to the right information, the ability to disseminate it to the right people, and the power to coordinate the efforts of groups of people to deliver value to the customer. If you're a sales manager, you need to help your team build and maintain the right webs of contacts. In this article, we introduce a framework for systematically managing these all-important social networks.

Someone who knows a lot of people doesn't necessarily have an effective network, because networks often pay off most handsomely through indirect contacts.

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A Closer Look at Social Networks

The term "social network" refers to a person's set of direct and indirect contacts. Consider Bob, an industrial chemicals salesman. At his previous company, he worked with Jim, Andy, and Brenda, procurement managers at three different detergent manufacturers. He collaborated on numerous deals with each and shared an occasional beer after work to let off steam about workplace stress. Once, when Jim ran into problems with a supplier, Bob stepped in to fill the order. He also provided assistance to Andy and Brenda on numerous occasions. Bob can now call on these direct contacts if he needs help finding names of prospects for his efforts to upsell within their companies or if he needs a good word about his products to pass along to a new prospect.

Managers often view sales networks only in terms of numbers of direct contacts. But someone who knows a lot of people doesn't necessarily have an effective network, because networks often pay off most handsomely through indirect contacts. If Bob wants to garner a share of orders for a new line of detergents that Jim's company is developing, he'll need to persuade the chemists there to use his product in their test formulations and technical trials. So he can ask Jim if he knows anyone in R&D and get a personal referral to a chemist. The more people Jim knows in the firm, the more valuable he is to Bob.

The density of the connections in a network is another important characteristic. Do a salesperson's contacts know all the same people, or are their associates widely dispersed? Dense networks are suited to certain types of tasks, sparse networks to others. For example, Ron Burt, a professor at the University of Chicago's Graduate School of Business, has shown that sparser networks are better for getting access to unique information. If Bob's contacts Andy and Brenda aren't friends with each other, there's a good chance they have different information. The more dense a network (if Andy and Brenda are friends), the greater the likelihood that contacts will know the same people and hear the same news. Because relationships are not "free" to maintain – Bob has to call both Andy and Brenda from time to time and give them assistance when they ask – a salesperson with two redundant ties might consider cutting one of them.

Dense networks are more desirable for coordination purposes, as researchers such as Jim Baron at Stanford and Joel Podolny, now dean of Yale's School of Management, have shown. When Bob needs Andy's and Brenda's efforts to be coordinated and consistent, he's better off if they are friends than if they are not. If Bob counts on Andy and Brenda to tell new prospects about him, he wants them to say the same things. The closer their friendship, the more likely they are to share a similar perspective and speak with a common voice.

Most salespeople cultivate ties within four social networks: *Prospect networks* include the key decision makers in the prospect firm as well as people in its purchasing and engineering groups; these webs also include other influencers inside and outside the prospect firm. *Customer networks* consist of individuals from current clients. *Marketplace networks* comprise former colleagues, members of trade associations, and other actors in the marketplace (such as local real-estate agents) with whom salespeople maintain relationships. Contacts with representatives at other firms selling into the same customer base are particularly interesting components of this network, because those reps may have similar motivations but are not competitors. Finally, salespeople cultivate ties to individuals within their own organizations. These engineers, managers, marketers, manufacturing experts, and sales reps make up a salesperson's *intra-organizational networks.*

Matching the Network to the Task

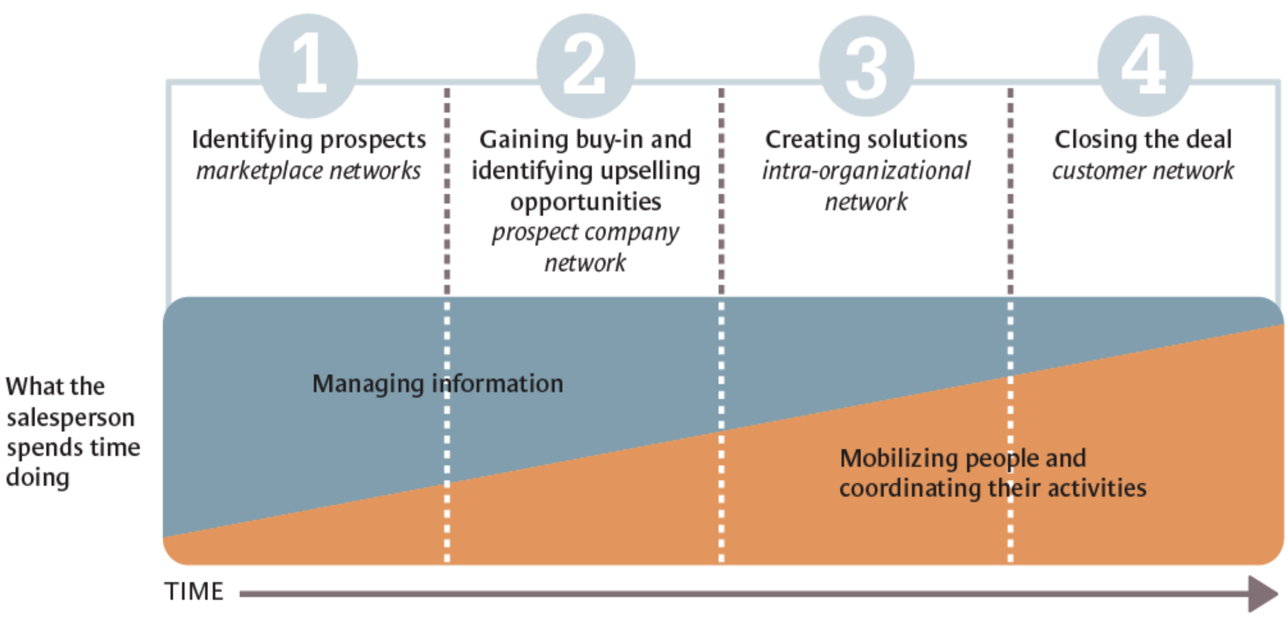
If salespeople and managers understand how networks function, they can pinpoint the most effective network configuration for each stage of a sale and take the actions necessary to create it.

Identifying prospects. Many salespeople waste a great deal of time cold-calling or trying to breathe life into old leads. That's because they can't see clearly into prospective firms to know when the companies are getting ready to buy. The right network strategy can make the process of finding good leads much easier.

Let's look at prospect identification at Arrow Electronics, the *Fortune* 500 electronic-components company. Most of Arrow's orders are for ongoing applications at existing clients. Customers tend to remain loyal to suppliers once they have sourced components for particular products, so big sales opportunities arise only when a manufacturer develops a new product.

Different Networks for Different Tasks

As a sale progresses through its four stages, the salesperson uses different kinds of social networks, and his or her job gradually shifts from gathering information to coordinating people's actions.



For Arrow's salespeople, then, the ability to identify firms that are starting product development cycles is a precious commodity. But prospects keep their product development activities secret to thwart competitors and to keep customers from canceling purchases of the existing version in anticipation of the next release. So how does Arrow discover which company is likely to be the next big buyer of components?

Some of Arrow's most effective salespeople rely on leads from nontraditional sources. Since one of the first things a start-up company does is lease office space, a real-estate agent may know about a new rollout before anyone else. Smart salespeople, therefore, cultivate ties with people in the realty network. Engineers formerly with existing Arrow customers are also good sources of information. Thus, Arrow's salespeople who keep up with their prior engineering contacts get leads before their competitors do. To put that into networking language, salespeople looking for new and unique information should cultivate broad marketplace networks. These direct contacts will be most beneficial in a sparsely structured network, where each can connect the salesperson to many different indirect contacts. The sparse web captures wider information than a densely woven network of contacts would. (See the exhibit "Identifying Prospects.")

The principle that information access is maximized in sparse marketplace networks holds true whether we're talking about selling electronic components or professional services. John Burgess, a partner at Boston's largest law firm, Wilmer Cutler Pickering Hale and Dorr (known as WilmerHale), relies heavily on his marketplace network to identify firms that will be interested in his expertise in cross-border IPOs. Investment bankers usually see IPO deals before attorneys, because bankers are the first people hired when a firm begins to think about going public. The more bankers Burgess knows, the more likely it is that one of them will lead to unique information.

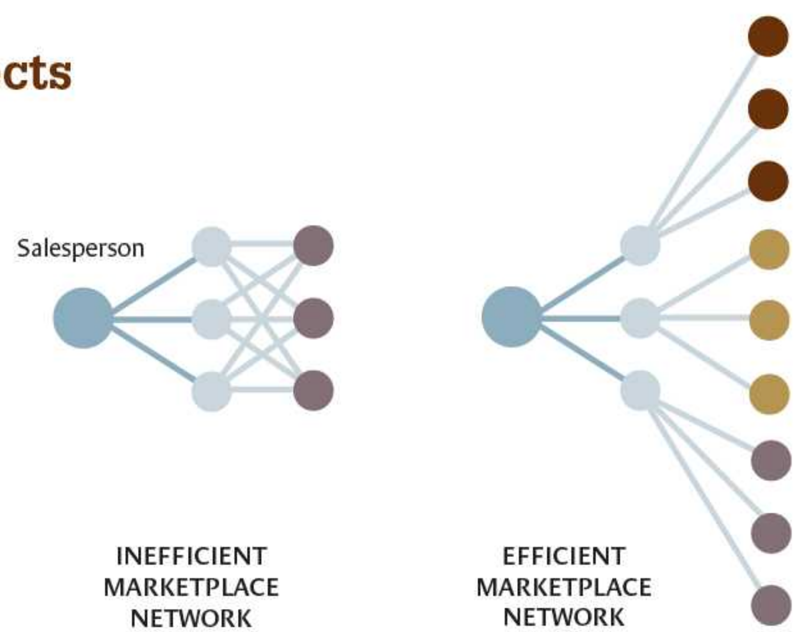
Gaining buy-in and upselling. Once a salesperson has identified an opportunity, she needs to do two things: educate the prospect company about her firm's products or services and acquire more detailed information about the prospect and its underlying problem. Thus, she isn't just trying to maximize information inflow as she was during opportunity identification. She now needs to convince her initial contacts to invest time in educating her on their firm and introducing her to other people in their organization. (See the exhibit "Gaining Buy-In and Upselling.")

Asking an initial contact to introduce her to someone or to endorse her or her proposal is very different from

A salesperson trying to gain buy-in at a potential customer must map out the prospect organization network and understand how it works.

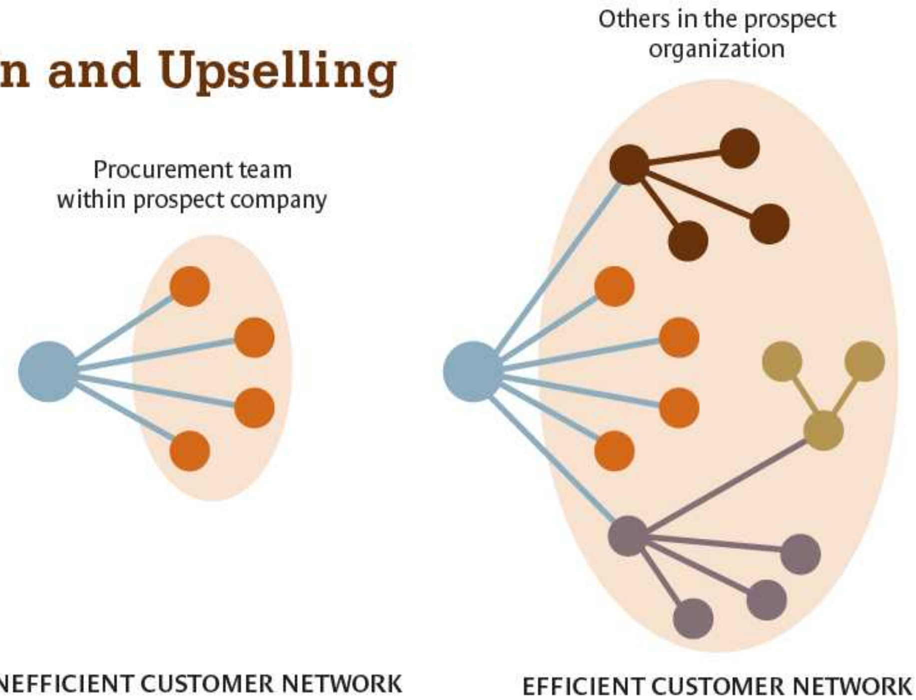
1 Identifying Prospects

A salesperson's network for finding new leads in the marketplace should be made up of contacts who know different people. That way, each direct contact can connect the salesperson to diverse indirect contacts, creating a wide web.



2 Gaining Buy-In and Upselling

In this stage of the selling process, the salesperson must build relationships with people in the prospect company beyond his or her initial contacts.



simply asking for information. The contact isn't going to put himself on the line unless he's sure she won't jeopardize his reputation. So instead of building multiple nonredundant contacts – as she did in the marketplace network – the salesperson needs to establish fewer, stronger ties in her prospect network.

That is no easy task, as Hewlett-Packard's Computer Services Organization discovered in the mid-1990s. The unit had planned initially to penetrate new accounts by satisfying the (essentially commodity) hardware reordering needs of purchasing managers and then use those initial contacts to open the door to the IT department, where it could sell more complex hardware. HP planned to leverage *those* contacts to build relationships in the C suite in order to sell lucrative consulting projects. This foot-in-the-door plan failed because managers in customer companies derive a certain power from being connected to the supplier and all the benefits the supplier's salesperson brings. Contacts at customer firms didn't want to risk losing that power by allowing sales reps to call on other people in the organization. Had HP's sales managers spent more time evaluating the underlying prospect networks, they might have foreseen that their client contacts would not necessarily help them move higher in the organization.

In this stage, then, it's crucial for the salesperson to map out the prospect organization network and understand how it works. If he can determine who wields influence, he can devote his time and energy to cultivating ties with those individuals so that they can help him gain buy-in from the official decision makers.

Upselling is similar in some ways to gaining buy-in. To create more deals within existing clients, salespeople must focus on building new relationships within their prospect networks. They should study the client firm to identify brokers: people with multiple diverse contacts inside the organization. Brokers can provide the salesperson with a host of indirect contacts who, if tapped efficiently, can lead to a mother lode of information.

To find a broker, a salesperson must evaluate the nature, structure, and shape of the networks in the target firm. Who has formal authority? Who has informal authority? Who has access to information? Who always seems to know where to find things, people, and funding? Over time, the salesperson will be able to locate the most influential brokers. When he does, he should invest significantly in building relationships with them.

Creating solutions. A salesperson lands an account by developing a solution tailored to the customer's unique business problem. Her ability to bring precious, hard-to-find technical knowledge to the customer can make or break a deal. Because she cannot possibly know everything herself, she must rely heavily on the expertise located within her intra-organizational networks. (See the exhibit "Creating Solutions.")

In electronics sales, for example, a single motherboard might include hundreds of components, each of which is offered by many suppliers. Most of the components, moreover, become obsolete in less than a year. When a customer asks for help on the design of a new board that is to be installed in, say, airport autoflush toilets, what's the salesperson to do? She needs a sparse intra-organizational network that will link her to a diverse range of technical experts within her company. If she has built the right web, she can find the right expert quickly. She can create huge value by using intra-organizational networks to locate the right information and deliver it to the customer on demand.

When creating solutions, a salesperson is rarely able to simply tap his network for information. He must also act as a broker and assemble an ad-hoc team of experts, coordinating the efforts of people who may not have met one another before. The autoflush toilet, for instance, requires several types of engineering experts: specialists on a particular sensing device and generalists who know about compatibility issues with newly designed chips. The salesperson who can connect the far-flung nodes and create a smaller, dense network focused on the task at hand will be more effective.

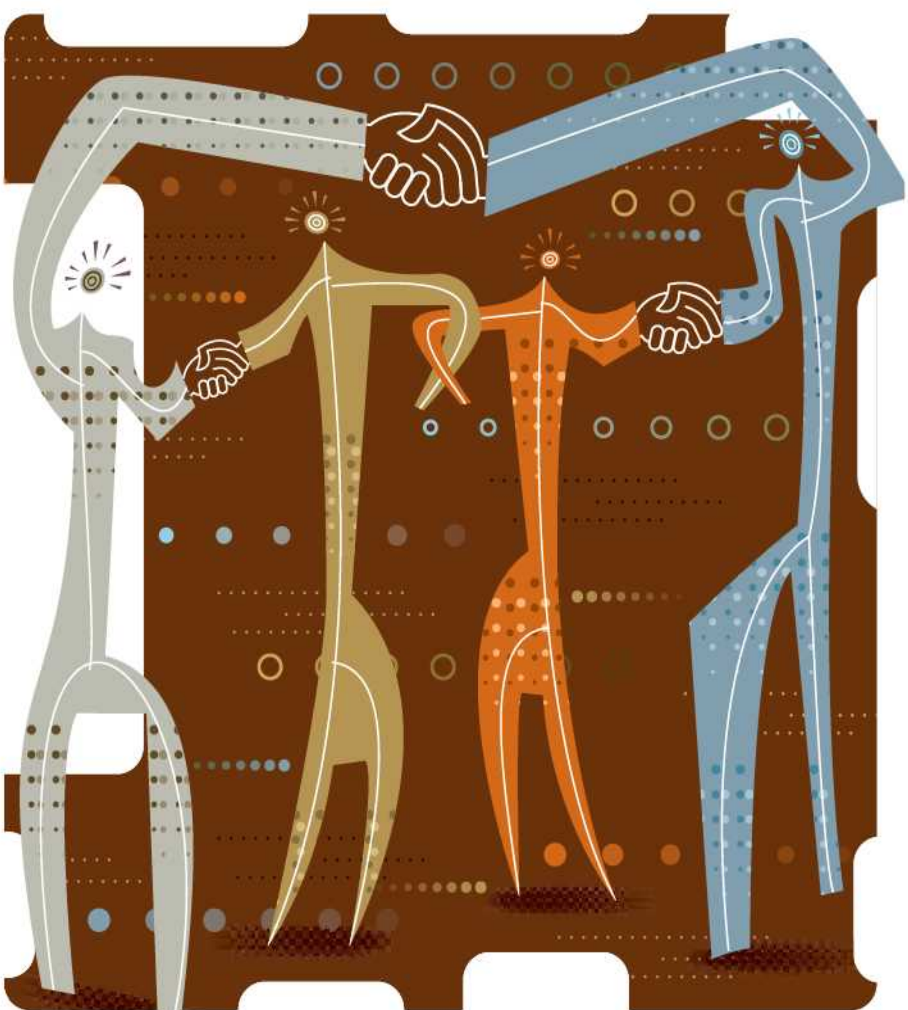
Closing the deal. By the time the salesperson has made it to the last stage of the sales process, he has demonstrated the product, held scores of face-to-face meetings, and exchanged hundreds of e-mails. The prospect has kicked the tires and taken a test-drive but is worried about what will happen after 50,000 miles of driving on his highway, the way he drives. How should the salesperson respond to that worry? He needs to find someone who drives just like the prospective client. In other words, he needs to provide references. (See the exhibit "Closing the Deal.")

At data storage giant EMC, for instance, a salesperson might be asked by a buyer from an airline: "How will EMC's storage system work with my applications? How will it interact with my IT infrastructure? How will EMC respond to my problems when I call?" The salesperson must then mobilize his network of past customers to find another airline with similar (or, better yet, the same) applications, infrastructure, and problems and must put people from the old client in touch with individuals at the prospect. So in addition to being crucial for identifying upselling opportunities, a salesperson's customer network is very valuable for closing deals at other firms.

Experts outside the firm can be important in sealing a deal, too. An industry guru can have a powerful impact if, for instance, he can tout a product as the wave of the future.

Network-Smart Sales Strategies for Managers

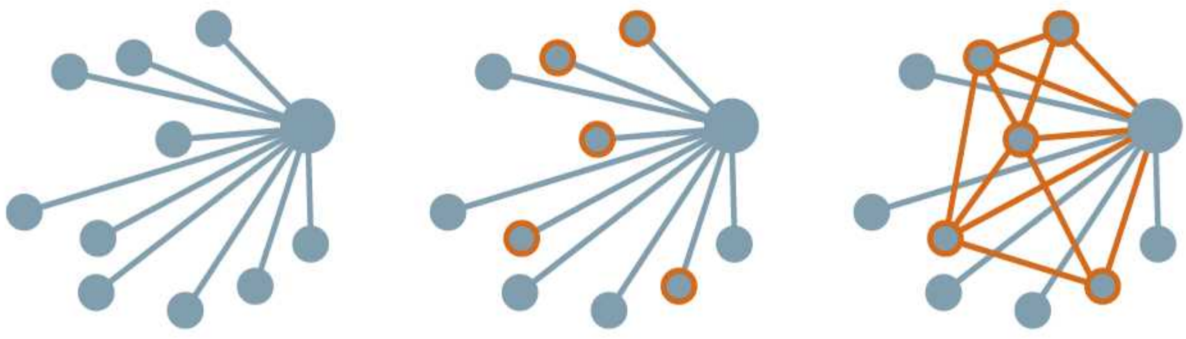
We've shown that salespeople need to develop marketplace networks to identify new opportunities; that they need to build prospect networks to identify upselling opportunities and gain buy-in; that they must work their intra-organizational networks to create solutions; and that they need customer networks to close a deal. Moreover, the further along they are in the sales process, the denser their networks should be. In this section, we'll look at how companies and sales managers can use three levers–sales force structure, compensation, and skills development–to encourage salespeople to adopt a network-based view and make the best possible use of social networks.



Sales force structure. Clearly, the best way to ensure that your salespeople hear about new opportunities is to encourage them to build marketplace networks with many diverse contacts. Not everyone, however, is naturally good at that, so you should consider decoupling lead generation from other tasks. This is a common practice in certain industries. Many financial advisers, for instance, employ "bird dogs" who do nothing but identify leads. Some people are very good at building diverse ties but not so adept at maintaining other kinds of networks. They are extroverts who like to keep up with many people but lack the patience to connect individuals and coordinate their efforts. If they are allowed to focus on what they excel at, chances are they will get even better at generating diverse contacts and will thus produce leads much faster than people working at managing the ties within their networks. The people

3 Creating Solutions

In this stage, the salesperson first develops a sparse intra-organizational network, which gives him or her access to diverse expertise. Next, the salesperson connects the experts in a dense network to maximize the coordination of their efforts.



whose strengths lie in nurturing fewer but stronger relationships are likely to be far better at creating solutions and closing deals. If they can focus solely on those tasks, they'll probably become even more effective.

The downside to a decoupled structure is that it can work against the basic premise of networks. A network is effective because participants are willing to share with one another. They are part of what anthropologists call the "gift economy." A contact shares her resources with another on the understanding that she will gain access to that person's resources when needed. With a decoupled structure, it can be hard to keep the gift chain intact.

More specifically, lead generation is often tied to reciprocal favors delivered in later stages of the sales process. A manufacturer who gives a lead to a distributor's salesperson might expect that the manufacturer's line will be considered for incorporation in the solution when the salesperson gets to that stage. Decoupling lead generation from later stages can break this gift chain, because the lead generator has no opportunity to return favors. That situation could eventually lead to subpar performance by the marketplace network. One remedy is to create a database to track the source of each lead. Then, in the closing stage, the salesperson would be able to recognize what is owed to the referral source and would be empowered to satisfy the obligation.

When it comes to gaining buy-in at prospects, managers can prevent salespeople from falling into the trap HP found itself in. Managers might even make use of the solution that HP ultimately came up with: restructuring to access prospect firms through multiple sales forces. A manager at a customer firm may not want to introduce "her" salesperson to other people in the company, but she'd be happy to introduce the salesperson's colleague around. This approach can be very costly, however, so it's appropriate mainly for high-value sales.

In the solution stage, a salesperson might justifiably feel frazzled trying to cultivate the right networks for creating various customers' solutions. There are several ways managers can lighten the load. First, consider the extent to which your firm's offerings have predictable solution-creation needs. If solutions are relatively standardized, you should set up dedicated solutions teams for major accounts, assigning support staff and salespeople on the basis of customers' requirements. Dedicated teams develop trust and commitment as members become comfortable working together to complete complex tasks, often under great stress. This approach also allows executives at the selling company to evaluate the workings of the networks of experts within their organization – for example, the executives can monitor how quickly people respond to a salesperson's call for help. Is the sales force

A salesperson can create huge value by using intra-organizational networks to locate the right information and deliver it to the customer on demand.

getting the support it needs? Which people work well together? Most important, establishing formal teams removes the burden of intra-organizational networking from the salesperson. She doesn't need to spend valuable time finding experts for every proposal. Management does all that networking for her.

If your offerings are complex and customized in an unpredictable way, consider an ad-hoc approach to team development, in which support people are tapped as needed. Managers can create an intranet listing of employees' areas of expertise and former work experiences so that salespeople assembling ad-hoc teams can easily find the most appropriate members. The salesperson can then send an e-mail to all the experts at once, describing the situation and requesting support. Instead of spending time finding internal experts, he can direct his efforts toward developing marketplace or customer networks. As an added benefit, managers will learn valuable information about support people's response rates to these requests and their speed in answering.

Another useful approach, common in professional services but applicable in other product domains, is to create groups that cut across functional areas. At the law firm Hale and Dorr (one of the predecessors to WilmerHale), managing partner Bill Lee instituted "practice areas" that transcended traditional specialties such as corporate law, litigation, and tax law. The Life Sciences group, for instance, brought together attorneys from every specialty to discuss issues relevant to companies such as biotech firms. Members became part of an informal network, so that if a corporate lawyer from the group needed help on a litigation issue, he already had a relationship with a litigator through the group. Essentially, this approach established relatively sparse networks for members of each practice area.

Managers can also have an important impact in the last stage of the sales process. Prior clients can help close a deal, as we've pointed out, but salespeople often have trouble maintaining networks of potential references, who understandably don't want to be a part of helping rival firms make better purchase decisions. A sales manager can create an organizational structure that will motivate past clients to help. The way to do that is to assist the clients in building their own valuable personal networks. If a past client is a CIO, for example, the salesperson can help him meet other CIOs who might be useful not only in making future technology decisions but also in career moves–especially since the average CIO tenure is only 12 to 18 months.

Once a prior client has agreed to be a reference, you must decide who owns the right to contact him. Creating a team to manage and nurture the reference pool ensures efficient use of previous clients. If the CIO at, say, American Airlines will have the biggest impact on a prospect at either United or Delta, the salesperson will want to be sure that those are the places where the CIO's opinions are heard. A centralized structure minimizes the chances that any contact's privacy will be violated or his time wasted, and it thus helps prevent burnout, a common complaint among references. (Once customers agree to serve as references, salespeople may be less than diligent about protecting their privacy and respecting their time, especially when the reps are chasing deals at the end of the quarter.)

Salespeople must be taught how to evaluate their own networks. They should get used to asking questions such as "Should I jettison a redundant contact so I'll have more time to build new relationships?"

To reduce the risk that references will balk at helping a reference specialist with whom they have no prior relationship, managers can carefully transition each client to the centralized team. Such a handoff is fraught with risk, however. Success depends on the manager's making sure that the specialist positions himself as useful to the client and the client's own personal network and reputation.

Compensation. A well-designed compensation plan will improve your salespeople's network management skills and maximize the flow of resources from networks. Since building the right kind of networks to foster leads is a time-consuming endeavor, consider offering explicit incentives for lead generation. Although this is an indirect approach to network building, it serves two important purposes: It increases the immediate benefits to salespeople from investment in their marketplace networks, and it makes a statement to the sales force about the importance the company places on leads and lead generation.

A system of financial incentives can also induce a salesperson to take the time to log each lead and all its associated information. Capturing detailed data–Where did the lead come from? What happened to it? Which contacts are providing the best information?–is extremely valuable for companies, especially in industries with high turnover. If the salesperson leaves, the lead doesn't disappear. Additionally, tracking data of this sort allows managers to ensure that salespeople are developing high-quality leads.

The salesperson's company can spur the creation of effective intra-organizational networks by compensating employees for supporting the sales force in creating solutions and closing deals. To discourage support people from aiding only the projects that seem easy to sell or only the salespeople who seem most likely to close deals, the company should base compensation on how many sales efforts are supported, the number of hours spent, and how quickly assistance is provided, rather than on how many solutions the support people help create. An added benefit of paying the back-shop employees a commission–even if it's not on the same scale as the salesperson's – is that you'll ease the resentment of the support people, who may feel they're doing all the work while the salesperson reaps all the benefits. Although that resentment stems from an underestimation of the effort that goes into selling, it can get in the way of a well-functioning intra-organizational network.

Some salespeople are inclined to hoard their most valuable reference sources to ensure that the contacts are available to them when needed. To counterbalance that inclination, some firms pay salespeople a small incentive, or "spiff," for every name added to a reference pool. An even more powerful tool for prying names from private lists is recognition: Give credit to the originator of a contact who eventually facilitates a closed deal.

Skills development. Senior managers must ensure that the network-based view of sales becomes the norm throughout the organization so that salespeople can readily learn network skills. Managers should thus promote an organizational culture that supports network-friendly activities. For instance, the company should sponsor social events to which salespeople can bring their contacts from various industries and contexts. Training is critical to transforming the firm into a network-aware organization. Frontline sales managers need to understand network concepts and be able to evaluate salespeople's efforts to implement network strategies. Moreover, the company's hiring and promotion decisions should be based on individuals' understanding of how to use networks effectively.

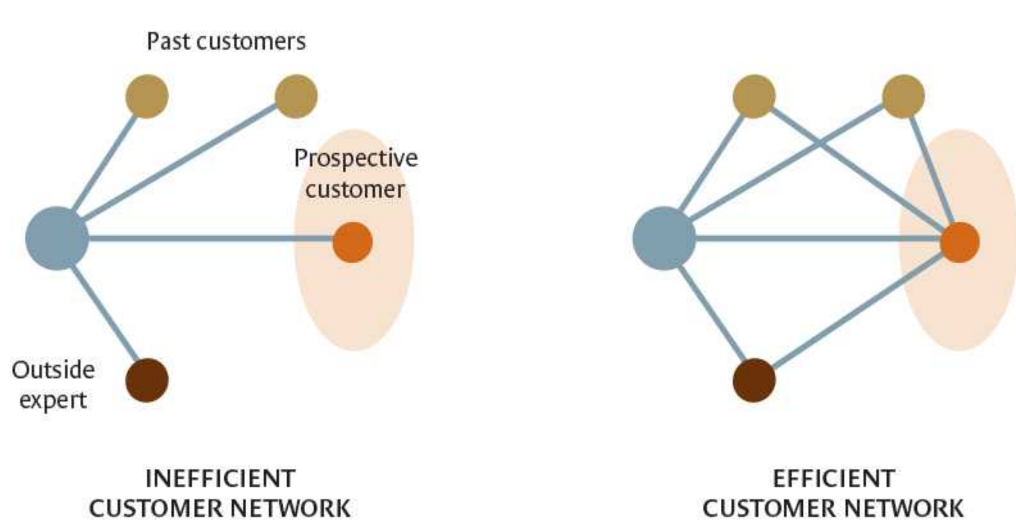
If your company has chosen not to decouple lead generation from the remainder of the sales process, there's an intriguing new technology that is worth investigating. Online networks–something like a Friendster for consultants and salespeople–may be extremely useful as a skills-development tool for people in your company who aren't naturally gifted at networking. These forums let users tap into a vast pool of contacts who are entirely different from their current contacts – that is, into a vast set of sparse network relationships.

Salespeople must be taught how to evaluate their own, as well as other people's, networks. Assessing networks is a crucial skill when it comes to securing buy-in at prospective clients. Salespeople should get used to asking themselves questions such as "Are my marketplace ties sufficiently diverse?" "Should I jettison a redundant contact so I'll have more time to build new relationships?" "Who in the prospect firm has the biggest and sparsest networks?" (Sometimes the contacts with the most valuable networks are hard to discern from the org chart.) "Who will be likely to promote the offering effectively?" "Who are the brokers?"

While we're not advocating an extensive (and costly) social-network analysis of every prospect firm, we would urge managers to give their salespeople the skills, tools,

4 Closing the Deal

In the final stage of the sale, the salesperson must mobilize a network of past customers and outside experts who can serve as references to help persuade the prospect to buy.



and foresight to evaluate factors such as the extent of a contact's connections in a prospect firm, whether the contacts are connected to one another, and how well the salesperson is positioned to make use of key influencers and decision makers.

Because the best way to get customers to serve as references is to help them build their own social networks, salespeople must be able to evaluate a contact's personality type as well as her networks. If she already has a broad and diverse network, she's likely to be highly motivated by the opportunity to expand her network, since she is clearly invested. If she frequently participates in conferences, she may well value the opportunity to heighten her public profile and make new connections.

Finally, an important element of maintaining a healthy customer network is recognizing that networks *need* maintaining. Most managers are comfortable training people how to do such important tasks as cold-calling and closing a deal, but few are confident in their ability to explain the best ways to simply keep in touch with contacts. E-mailing a contact every once in a while to "check in" or "just say hello" may not always be the best approach. Customers are likely to be irked by such a ploy. Managers should ensure that communications always add some sort of value. ENSR, an environmental consulting firm, produces a monthly newsletter that its salespeople send to their client contacts, many of whom are corporate managers of environmental affairs. It contains plenty of information about recent ENSR projects, to be sure, but it also provides data on industry trends that recipients may find useful.

• • •

Once you understand the four distinct stages of making a deal, it's clear that certain network configurations are better suited to certain tasks. In the earliest stage, a diverse marketplace network is best for identifying new leads. In the next stage, cultivating a prospect company network for access to the decision makers will help a salesperson gain buy-in. The third stage is all about coordination: Here the salesperson needs to forge ties among contacts in his intra-organizational network so they will work together to devise solutions for his prospect's unique problems. And to close the deal, the salesperson needs contacts from his customer network who can vouch for his good reputation.

We're not saying that cultivating all these networks is easy, but we believe that the salespeople who take the time to do it will reap tremendous advantages. Moreover, they don't have to go it alone. We've found that companies can make changes to their sales force structures, compensation plans, and training programs to institutionalize the network view of sales. Companies looking for better results should help their sales teams build better networks.

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To order, see page 191.

"This is Buster and Dino. They're heading up our new sales incentive program."

BURNS PARKHURST

Two-thirds of the CEOs we interviewed expect their organizations to be inundated with ______ over the next two years. Some writers and analysts, like Tom Friedman, view the world as ________. Others, like Richard Florida, assert that it's ____. But virtually everyone agrees that the topography is fundamentally ________. The forces overturning the status quo are many and varied. At the top of their list, CEOs mentioned market forces such as __________ and unexpected market shifts. But there were more. CEOs told us that workforce issues, ______ regulatory concerns and ____ are all bearing down on their organizations, forcing significant change. And their feelings are justified. *

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The Sales Learning Curve

Because new-product launches often take longer and cost more than expected, many promising offerings are prematurely aborted. Smart companies give themselves time and money enough to climb the sales learning curve before ramping up the sales force.

by Mark Leslie
and Charles A. Holloway

When a company launches a new product, the temptation is to immediately ramp up sales force capacity to acquire customers as quickly as possible. Yet in our 25 years of experience with start-ups and new-product introductions, we've found that hiring a full sales force too fast just leads the company to burn through cash and fail to meet revenue expectations. Before it can sell the product efficiently, the entire organization needs to learn how customers will acquire and use it, a process we call the sales learning curve.

GARY SAWYER

The concept of a learning curve is well understood in manufacturing. Employees transfer knowledge and experience back and forth between a production line and the purchasing, manufacturing, engineering, planning, and operations departments. Over time, the entire process becomes more effective: The more times a process is repeated, the more efficient it becomes and the lower its cost.

Start-ups and existing companies launching new products follow a sales learning curve that's analogous to the manufacturing learning curve but one that unfolds through the give-and-take between the company and its customers. As customers adopt and use the product, the organization modifies both the offering and the processes associated with making and selling it. (See the exhibit "Learning Processes for Manufacturing and Sales.") A large sales staff hinders more than it helps a company climb the curve. Instead of following conventional sales wisdom, the firm should focus first on organizing itself so it can learn from customers and respond to them.

It's important not to confuse the organization's sales learning curve with a salesperson's individual learning curve. Most companies expect sales reps to go from new employees to fully productive salespeople during their first months on the job, as they learn more about the product, the customers, the market, and the competition. The sales learning curve we are describing is separate from, and independent of, the individual learning curve and more comprehensive, involving all customer-facing parts of the organization: marketing, sales, product support, and product development. The improvements in sales yield that result from this organizational learning process affect all of the sales representatives, both new and experienced.

In this article, we will look at the sales learning curve as a framework for helping managers and investors develop thoughtful launch strategies, plan resource allocation more accurately, set appropriate expectations, avoid disastrous cash shortfalls, and reduce both the time and money required to achieve a profit. But first, let's consider some of the unexpected problems start-ups and established companies run into when they launch a new product – problems that could be anticipated if the sales function were viewed as a learning process.

The New-Product Sales Challenge

Twenty-five years ago, the major risk in creating a company (or in launching a brand new product from an established company) was the feasibility of the technology. Managers believed: "If we can build it, they will come." Today, the product development cycle is more predictable, thanks to the greater availability of subcomponents and robust development tools. So the biggest risk for most companies has shifted from getting the product to work to getting it to market. Entrepreneurs increasingly must ask: "When we build it, will they come?"

But if start-ups apply conventional sales wisdom to new-product launches and add sales capacity too quickly, the result is often disappointing revenue growth and a cash shortfall. (For an example of how that works, see the sidebar "How Big a Sales Force?") That's because the conventional wisdom fails to address a number of challenges involved in creating markets for unfamiliar products: the time required to educate customers about the offering and learn how they will use it, the inevitable design modifications needed to deliver a robust product that will fully satisfy customers, the identification and resolution of service issues, the development of a repeatable sales model, the selection of appropriate market positioning, and the design of effective sales incentives. Here's a case in point.

Hiring a full sales force too fast just leads the company to burn through cash and fail to meet revenue expectations.

Midcourse correction at a start-up. Scalix, a software company that develops e-mail and calendaring programs hosted on Linux, is one start-up that struggled to get its sales model right. The company's founders recognized that the underlying infrastructure of market-leading e-mail systems such as Microsoft Exchange was originally designed for work groups and had never been upgraded to efficiently support large organizations. They believed that

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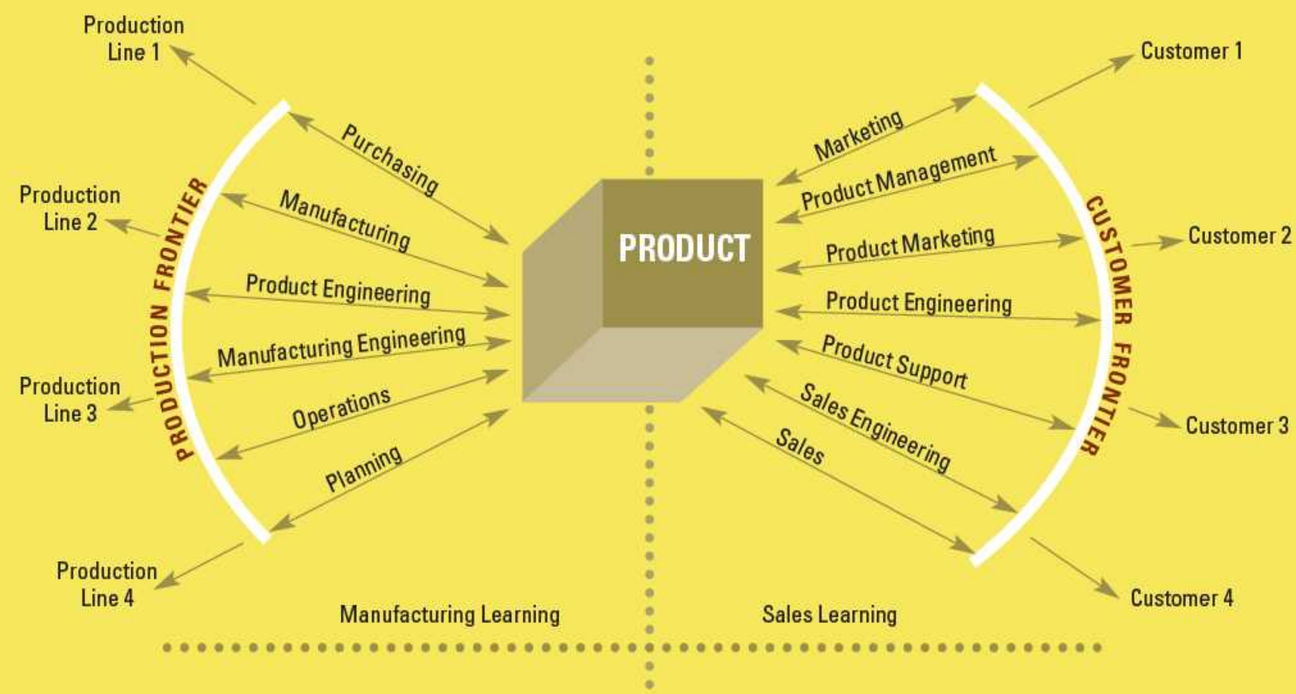
Learning Processes for Manufacturing and Sales

An innovative product does not arise fully formed from a flawless development process. It emerges from the give-and-take between all the departments involved in its creation – purchasing, manufacturing, engineering, operations, planning, and the factory floor. The same is true for the sales strategy that will bring that product to market. It, too, is an iterative process, one that involves all the departments that face customers.



the disruptive nature of the Linux operating system created a rare opportunity for a new supplier to enter the mature e-mail market with a solution that was more secure, reliable, scalable, and cost effective. Specifically, they aimed to cut total cost of ownership by 50% to 60%.

Scalix launched its product, based on Hewlett-Packard's OpenMail system, in July 2003. In early interviews, CIOs responded enthusiastically to the promised cost savings, so the company decided to expand its sales capacity quickly. Its initial strategy was simple: Recruit a high-powered sales leader with enterprise experience and sell directly to CIOs at large companies.

However, as Scalix moved deeper into the sales cycle at large corporations, the company encountered a number of unexpected problems. First, it became evident that the CIO was not the primary decision maker for purchasing e-mail systems. In many cases, the operations team one level down – the people who would be responsible for keeping the system up and running on a daily basis – rejected Scalix's solution. These department managers didn't want the headache of moving their Windows-based Exchange administrators over to Linux. And the Exchange administrators themselves viewed moving to Scalix as a career detour.

The second problem was closely related to the first. Scalix discovered that many large companies needed to get more comfortable with Linux before they would run e-mail on it. While a small group of people trained on Linux existed in most organizations in Scalix's sales pipeline, they were not working on e-mail. Early adopters, such as Amazon and eBay, were running only customer-facing applications on Linux.

The third problem was of an entirely different order and perhaps the thorniest. Scalix learned its product was not quite ready for prime time. CEO Glenn Winokur explained: "You come out, and you think you have a market-ready product. Then you discover that you really don't. You're 90% of the way there, but there's another 10% you have to iterate on with customers. From the time we came out and through all of 2003, we iteratively worked on pilots and trials with customers and learned the full extent of customers' requirements for enterprise-class e-mail."

Scalix faced such an uphill battle selling directly to large enterprises that after a few sales to small public sector accounts, the company corrected its course. In mid-2004, it overhauled its go-to-market strategy to hit the Linux evangelist and early adopter community first, with a particular emphasis on smaller targets in the higher education and public sectors, where Linux acceptance was strongest. To execute this new strategy, Scalix hired two in-house telesales representatives to drum up leads. With lower-priced salespeople and a compressed sales cycle, the new model offered much better economics than the original field sales approach. The revised sales strategy is working well. Scalix was named one of *Red Herring*'s 100 top private companies of North America in 2004 and 2005.

Such adjustments aren't unusual when companies interact with real customers deploying a product to do real work and in the process learn how to better meet their customers' needs. But Scalix could have saved scarce resources and learned important lessons far more quickly had it delayed hiring a traditional sales force and focused all customer-facing departments on learning from the beginning.

Breaking new ground at an established company. Established companies often make many of the same mistakes in launching a new product that start-ups do. They hire experienced sales talent far enough in advance of the launch to allow them to come up to speed (based on conventional sales wisdom), and then they sit back and wait for the sales team members to deliver their expected quotas.

In late 2001, Veritas Software, now part of Symantec, was a large software company that sold three major software products through an international sales force of more than 2,000 field employees. It was very good at selling successive releases of its existing products, but the company's track record in new categories was spottier. Although its signature file and disk management software was competitive in its features, many customers preferred a bundled hardware and software solution like those from EMC and Network Appliance. So Veritas decided to launch a new class of products, a set of software applications preconfigured to run on servers from vendors like Dell, Compaq, HP, and IBM. This bundled solution would offer the cost advantages of buying commodity PC server hardware from existing vendors together with a complete plug-and-play software package from Veritas.

The company's initial go-to-market strategy was to create an overlap sales force that would work closely with the regular software sales force. Both sales teams received commissions on the new product. However, a number of problems arose shortly after the launch. Veritas had expected the product to be completely developed and ready to go, but it was not yet either fully reliable or fully functional. This frustrated the regular sales team, which was used to selling mature products. Reps were compen-

What Goes into a Comprehensive New-Product Strategy

Launching a completely new product into a new market is not just a matter of hiring an army of salespeople and letting them loose once the product is created. Product developers, marketers, and sales staff need to resolve a host of issues:

PRODUCT DEVELOPMENT	MARKETING	SALES
Completeness > Features and functions > Interface to existing ecosystem > Ease of installation **Correctness** > Value to customers > Reliability > Ease of servicing **Fit** > Ease of use > Suitability for environment	**Positioning** > Competitive analysis > Market segmentation > Marketing messages > Proof of value proposition (ROI) > Packaging **Promotion** > Collateral materials > Advertising, shows, and PR > Customer testimonials **Pricing** > Across market segments > Across channels	**Distribution Channels** > Number and type > Channel support and training **Sales Force** > Sales model > Sales pitch > Training and development > Lead generation > Technical support **Sales Stage** > Learning > Development > Expansion

sated for sales of the new product but not enough to make up for the extra time and effort required. In addition, the new bundled offering was seen as a potential threat to the company's traditional hardware partners like Sun Microsystems, making them less likely to cooperate with Veritas at the field sales level. Understandably, savvy regular salespeople never enthusiastically supported the new product. Veritas abandoned the initiative a little over a year after its introduction because the revenue remained substantially below expectations.

Had Veritas better understood what was involved in the sales learning curve for this new venture, it could have anticipated and made provisions for these problems.

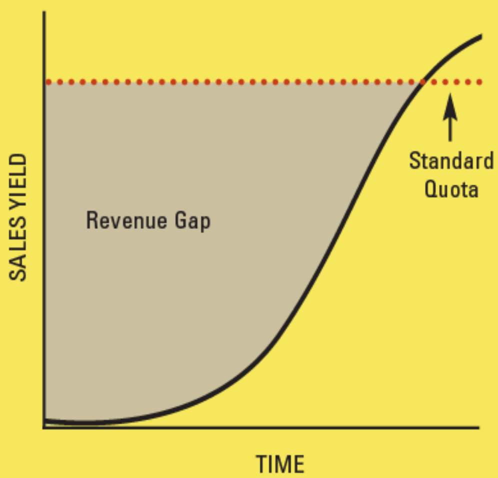
What the Organization Needs to Learn

Every business goes through a unique learning process, and each industry, company, and product has a different set of drivers. As the Scalix and Veritas examples show, the product will probably not have exactly the right features or work exactly the way it should at the outset. The sales and marketing processes may not be focused initially on the right customers. To traverse the learning curve, product development, marketing, and sales must resolve a host of complicated questions. The product developers, for instance, need to correctly determine which features would make the product valuable to customers. They need to make it easy to use, reliable, and efficient to service. Marketers need to correctly analyze the product's position relative to its competition. They need to segment its market. They need to develop packaging. The sales team needs to determine the number and type of distribution channels, develop a sales model, work up a sales pitch. The broad range of issues that all three departments must resolve to launch a successful product is summarized in the exhibit "What Goes into a Comprehensive New-Product Strategy." When you look at the length of the list, it becomes easy to see that launching a new product involves far more than ramping up a large sales force.

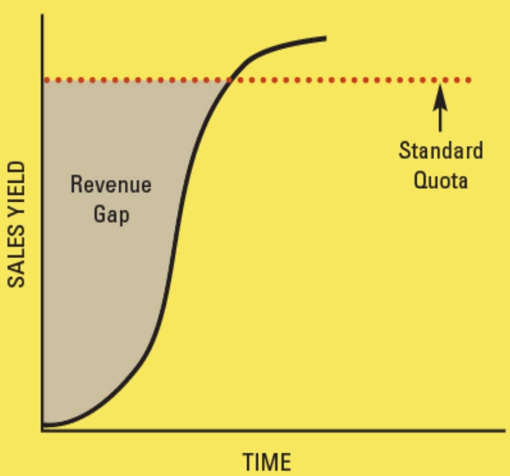
Gaining that knowledge, of course, doesn't happen all at once. Nor does it happen in a vacuum. It develops gradually: The company makes initial assumptions, which are modified iteratively as feedback comes in from early customers. The modified offering reaches even more customers, whose further feedback hones the product, the message, and the sales efforts – accelerating the company's progress along the learning curve. This process cannot be short-circuited by sending out an army of salespeople in an effort to gather more feedback more quickly: Many problems are discovered sequentially, revealing themselves only after some preceding issue has been discovered and addressed. Eventually, the company learns enough to reach a level of steady sales.

How Steep a Curve?

Progress along the sales learning curve is measured by tracking sales yield over time. As you might expect, the curve for launching a totally new product into a new market is much longer and flatter initially than one for introducing a variation of an existing product into an established market. Clearly, the longer the learning curve, the greater the revenue gap – that is, the longer it takes for sales yield to reach targeted quota levels. Setting expectations appropriately, therefore, can make the difference between pioneering a new market and aborting too soon.



New Product, New Market



Follow-On Product, Existing Market

The Sales Learning Curve

Companies have long measured their progress along the manufacturing learning curve by tracking costs per unit – the more they learn about the manufacturing process, the more efficient it becomes, and the lower the unit cost goes. Progress along the sales learning curve is measured in an analogous way: The more a company learns about its product, market, and sales process, the more efficient it becomes at selling, and the higher the sales yield. "Sales yield" is defined as the average annual sales revenue per full-time, fully trained and effective sales representative. Typically, sales yield for a new product starts out slowly, accelerates for a while, and then flattens out as the product matures, in a classic S-shape curve.

The steepness of the curve – a measure of how rapidly product revenues reach the break-even point and then achieve targeted levels – varies substantially from product to product. For example, when the Palm Pilot was introduced, it created a whole new product category. The sales learning process was long and complicated, resulting in a sales yield curve that looked like the first curve in the exhibit "How Steep a Curve?" By contrast, the competing Handspring, a follow-on product in a now-established market, was launched with a "better, faster, cheaper" strategy, and its learning process was far quicker. Accordingly, its sales curve is shifted to the left and far steeper, resembling the second curve in the exhibit. For many new-product launches, the sales yield never reaches expected levels, or even the break-even point, resulting in cash shortfalls and premature death for promising products.

Tracking sales yield can be more challenging than measuring manufacturing production volumes and costs because revenue-generating activities tend to be less predictable than production. Still, applying the concept of a sales learning curve allows you to understand where in the learning process your launch is, so that you can deploy your sales force, marketing efforts, engineering support, and management time appropriately.

Sales Force Planning for Launch

The way to shift the sales learning curve to the left, and reach the break-even point and profitability more quickly, is to track sales yield over time and adjust your go-to-market strategy as you move along the curve. That's because the sales learning process unfolds in three distinct phases – the initiation phase, the transition phase, and the execution phase – as the exhibit "Ramping Up the Learning Curve" shows. Each phase requires a different size – and kind – of sales force, and represents a different stage in your production, marketing, and sales strategies. The gateways from one stage to the next correspond to two markers of profitability level – the break-even point and some targeted level of steady sales, which we call the "traction point."

The initiation phase. This phase begins when the product is ready to hit the market, that is, when it has been beta tested, and lasts until the break-even point – that is, when sales yield reaches a point where revenue per sales rep equals the fully loaded cost per sales rep. Typically, during this time, few customers will be willing to consider buying the product, and those that do will require significant incentives.

It's both unrealistic and potentially dysfunctional to assign large sales quotas in the initiation phase. The members of the sales team should be encouraged to focus instead on learning as much as they can about how customers will use the product so they can support engineering, product marketing, and marketing communications in perfecting both the offering itself and the go-to-market strategy and programs. A heavily commission-based pay plan is not only unlikely to achieve sales objectives but can inhibit learning.

It's also inefficient to hire too many sales reps in this phase. A small sales force not only keeps costs down but is more effective in supporting other parts of the company. Typically, three to four salespeople are enough to start the learning process and to make sure that the problems encountered aren't just the result of a bad hire.

The types of skills needed during this phase differ from those needed to sell more mature products. They include a facility for communicating with many parts of the organization, a tolerance of ambiguity, a deep interest in the product technology, and a talent for bringing customers together with various functional teams within the company. Salespeople must be resourceful, able to develop their own sales models and collateral materials as needed. We think of this kind of person as the "renaissance rep."

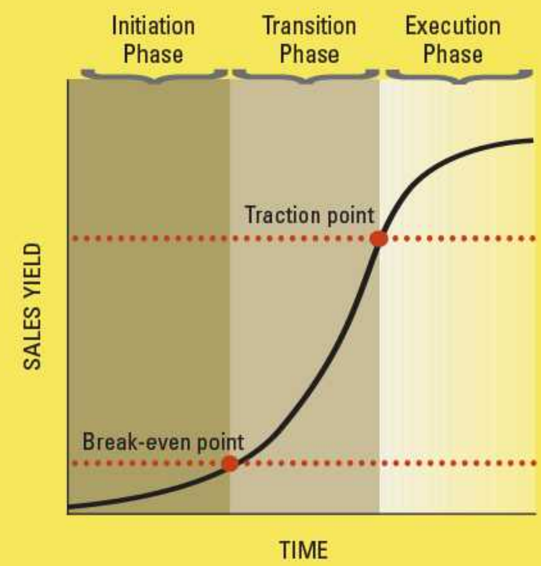
The transition phase. Toward the end of the initiation phase, companies generally have acquired a critical mass of customers, and sales are beginning to accelerate. Once the sales yield equals the fully loaded expense per sales rep, it's safe to assume you've moved into the transition phase. This second phase lasts until the sales yield reaches a point where company management can see that the product has achieved real traction in the market.

What constitutes "traction" varies from company to company and product to product. Still, we've found that a useful rule of thumb is to consider a sales yield of twice the fully loaded cost per sales rep as the end of the transition phase. By this point, the company should have a pretty good idea of what to expect in terms of steady state sales yield for the product.

In the transition phase, sales management should focus on developing a repeatable sales model, refining market positioning, and adding sales capacity at a rate commensurate with the rise in the slope of the curve. The original renaissance reps should continue to stay focused on learning. The people hired at this stage – we call them "enlightened reps" – should be comfortable contributing to a still-evolving sales model but do not need to have the analytical and communication skills of the renaissance reps.

Ramping Up the Learning Curve

The go-to-market strategy for a new product should unfold in three parts. The staffing and financial resources needed in the first stage, before the product is profitable, are very different from those needed in the second stage, when the product is being refined, and different again from those needed after most issues have been resolved and sales have reached a sustainable, predictable level.



The execution phase. Once sales management is confident that the product has achieved traction and is entering the execution phase, sales reps can be hired as rapidly as the company's management and financial constraints will allow. In this phase, when the formula for success has been developed and all of the support requirements for sales reps are in place, the company needs more traditional salespeople – what's known in the industry as "coin-operated reps" – who require nothing more than a territory, a sales plan, a price book, and marketing materials to bring in orders.

The Role of Marketing

Product marketing and marketing communications should ideally be the center of learning activities during the initiation phase. Marketing leadership is responsible for bridging the gap between customers, sales reps, and the engineering organization. Everyone on the marketing team has to be knowledgeable

How Big a Sales Force?

At the time of a successful beta test, young companies typically carry a large fixed cost, consisting of engineering and G&A personnel. In an effort to cover those costs and become cash positive as quickly as possible, they want to ramp up sales quickly. Conventional wisdom suggests that the only way to drive sales is by hiring sales reps as early as possible. To figure out exactly how many reps to hire and when, most sales leaders use a capacity-planning model.

The basic formula for calculating the number of salespeople needed to reach the break-even cash flow point is to divide the total fixed costs by the marginal contribution of an average sales rep (revenue minus cost of goods sold minus total cost per rep). The first step is to calculate total cost per rep.

Say a software company pays its average sales rep $200,000 per year (base plus commission), and a sales rep incurs $50,000 per year in T&E expenses plus $80,000 in administrative and operating expenses. That totals $330,000 in direct costs per rep. To that must be added indirect costs (such as sales support and management personnel), which typically adds as much as 50% of the direct cost per rep, in this case $165,000. That brings the total cost per rep to $495,000 per year.

The next, and most challenging, step is to figure out what annual revenue it's reasonable to expect an average rep to produce once she's come fully up to speed – the "standard quota." To do so, most sales leaders rely on their past experience or the experience of other salespeople selling similar products. That works fine for mature products. Suppose, for instance, that our software company hires a star sales vice president from a *Fortune* 100 software firm. Based on his previous experience, he might expect a fully effective sales rep (FESR) to produce about $2.5 million in revenue per year, and so that's the figure he starts with as the standard quota.

Then to account for attrition and uneven performance among reps, he prudently reduces that figure by about 20% to $2 million in average revenue per rep. The software business has high incremental margins of around 90%, yielding an expected contribution of $1.8 million per rep. So, subtracting the total cost per rep of $495,000 from the expected yield, the sales VP arrives at a marginal contribution for an average rep of around $1.3 million per year.

Our company's fixed costs (engineering and G&A) are running around $12 million per year, so the sales head concludes that he needs about nine or ten sales° reps to reach the break-even point. He'd get these reps on board as soon as possible and promise executive management that they'd reach break-even within six to 12 months, the typical time required to train and deploy new sales reps.

But let's say that our company is a start-up, and the sales VP, in an effort to be conservative about selling a totally new product in a new market, reduces his standard quota from $2.5 million to $1.5 million. That drops the marginal contribution per rep to $585,000. Plugging in this lower marginal contribution would lead him to conclude he needs more like 21 sales reps.

The problem with applying the above methodology to start-ups or new-category product launches, though, is that it doesn't take into account the organization's sales learning curve. Our start-up would be swamped if all 21 reps were hired from the outset, when the product was still being refined, the go-to-market strategy had yet to be settled, and revenues were coming in far more slowly than they ever would for a mature product. Cash flow would be strained, sending the company further into the red and disappointing investors.

So what's the right way to approach capacity planning for a new-product launch? Start out with very low assumptions about expected revenue per salesperson, and increase these expectations gradually, quarter by quarter. Anticipate that during the initiation phase, reps will not generate enough revenue to cover their total costs. Given that the marginal contribution per rep will therefore be negative in this phase, hiring more people will merely deteriorate your cash position. Only when you see the productivity of existing reps approaching the point where they cover their total costs should you consider expanding the sales force. Unfortunately, there's no magic formula for predicting when that point will arrive. But closely tracking your sales yield, and tying your planning assumptions to the different stages on the sales learning curve, will prevent you from wasting critical funds in the early stages.

about the product technology, able to understand customers and their needs, and proficient at communicating with renaissance reps. But success in this role requires more than just an understanding of the languages of these disparate groups and individuals in the company. It requires substantial credibility to convince customers, sales, and engineering that their needs will be accurately communicated to the other parties. Marketing must hold the product itself to high standards of completeness, correctness, and fit.

Once beta testing is complete, the company must decide when to launch a marketing campaign. There can be pressure to start the campaign early to support the sales effort, but that's an expensive use of scarce cash resources.

What's more, it can distract the organization from its primary learning goal and set false expectations among the sales and engineering groups. Worse, a premature marketing campaign can set false expectations in the marketplace that will be difficult to correct.

As the company tweaks the product and learns more about the ways customers use it in the first two stages, the positioning will evolve. Marketing communications must develop a nimble launch schedule that can adjust to the requirements of each stage by preparing collateral materials that can be easily modified and by working with media and other resources so they can respond quickly once the final product and sales strategies have been completed.

The Role of Engineering

Keeping the product development engineering team intact at least through the initiation phase is essential to the success of a new-product launch. This is a significant challenge for both company executives and engineering management: After beta testing is done (and sometimes even before), the engineering organization typically turns to the next product. Cleaning up and making sure that existing products are complete and correct is not the most glamorous phase of product development. What's more, the reward systems in most R&D organizations encourage engineers to go on to the next challenge. But when companies allow those most intimately knowledgeable about a new product to move on, they slow down learning. New engineers have to be trained, and it takes them longer to make design modifications, stretching out the time required to ramp up sales yield.

Engineering management can take several steps to provide the right incentives and foster the right culture to support the learning curve. The first is to introduce an organizational measure that reflects the importance of staying focused during launch. Companies measure manufacturing success in terms of how long it takes to achieve scale production volumes, and they typically tie engineering to this metric as well. To move along the learning curve faster, though, companies need instead to focus engineering, as well as marketing and sales, on the time it takes to reach the break-even and then sustainable profitable levels of sales yield. In addition, engineers who stay involved throughout the entire learning process need to be rewarded by an assignment to another big project.

The Role of General Management

It is unlikely that incentives will be established to keep engineers involved with the product once it hits the market without the direct and daily involvement of general management. Indeed, during the first two phases, the whole management team should be focused on the customer frontier, the source of learning. CEOs and division managers must direct the efforts of those who drive the learning and participate in all crucial product and organizational decisions concerning functionality, target markets, sales channels, and marketing strategy.

Too often, executives don't get actively involved in sales strategy until a revenue gap appears and cash becomes scarce. But it is during the early stages of the learning curve that top management can have maximum impact on the ultimate outcome of the venture. Executives need to take responsibility for projecting the shape of the sales learning curve based on realistic inputs and for ensuring that all learning opportunities are identified. Then, the shape of the curve should drive the design of revenue, expense, and hiring plans across the entire organization. The longer the initiation stage, the longer the learning period and investment phase will be, and the lower the revenue expectations should be set. The most important role of all for senior executives is setting realistic expectations – guided by the curve – for investors, the board, and employees.

High-tech companies routinely "price on the learning curve" – that is, they deliberately set selling prices low on the early manufacturing runs to stimulate volume that will underwrite their efforts to gain enough experience to lower costs and ultimately reap higher profits. Like the manufacturing learning curve, the sales learning curve permits you to see all the aspects of a set of activities – in this case, the go-to-market process – through a new lens and to plan appropriately. Applying the sales learning curve as a strategic construct allows management and investors to share a common language in understanding this phase of the business. And successful management of the sales learning curve allows companies to reduce the time to profitability and the cost of breaking even, increasing the success rate of start-ups and new-category product launches.

> "You come out, and you think you have a market-ready product. Then you discover that you really don't."

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New demands from customers, rivals, the CEO, and the sales organization itself are changing what it takes to succeed as head of sales.

by Jerome A. Colletti and Mary S. Fiss

THE ULTIMATELY ACCOUNTABLE JOB

Leading Today's Sales Organization

When it comes to thinking about sales leadership these days, most executives just don't get it. Chief sales officers – and even chief executive officers, who recognize that the sales organization drives top-line growth – often have an incomplete notion of the CSO's job.

Sure, they understand that leading the modern sales organization takes much more than motivating and managing salespeople. In recent years, CSOs have had to devote considerable time and energy to establishing and maintaining disciplined sales processes, including everything from customer segmentation to sales staff compensation. Given

NICK DEWAR

the complexity of those processes, even well-run sales departments have to work hard to get them all operating smoothly. But many CSOs stop there – and they can't afford to. The heightened expectations of customers, peer executives in other functions, and the sales force itself require the head of sales to shoulder new responsibilities, ones that have changed the job almost beyond recognition from what it was 20 years ago.

In this article – which is based on our work with a wide range of sales organizations in more than 20 industries, plus more than a dozen in-depth interviews with chief sales officers, executives who manage CSOs, and sales leadership consultants – we first look at the ways in which the business environment has changed the sales chief's job. We then describe the new roles that sales leaders increasingly must play. This expanded job profile can be used as a template by those who want to excel in the position and by the CEOs responsible for hiring the best people to fill it.

New Environment

Examine the calendar of any successful chief sales officer, and you'll see how complex the job has become. (For an example, see the exhibit "A Week in the Life of Ben Bulkley.") That complexity stems from the following changes, which have affected sales activities at most major companies.

Customers have gained power. It's no secret that in many industries, supply outstrips demand. Customers have more choices and more information – thanks largely to the Internet – about what they can buy and how they can buy it. The shift in power from sellers to buyers has made customers demand more of their suppliers and the buying experience.

Customers have gone global. The globalization of business has made the structure of many sales organizations (those with a regional or national focus) anachronistic. Suppliers had better be sure that their organizations mesh with their customers' global orientation and sourcing processes. "Gone are the days when we could think of this part of our business as 'North American' or that part as 'pan-European,'" says Joe Walker, president of the North American and European business units of Southfield, Michigan–based R.L. Polk, a major provider of customer data to automakers. "A corporate customer making a purchase decision in Detroit is doing so on behalf of his global organization."

Channels have proliferated. At one time, the direct sales force *was* the sales organization. Today, most companies, regardless of size, go to market through multiple channels. The sales organization may comprise not only people employed by the company – field sales, telesales, and online reps – but also those outside the company, including partners and resellers.

More product companies sell services. Whether wrapped around or embedded in products, complementary services have become a way to enhance or simply maintain a product's competitive edge. Selling these services calls for a special mind-set. "The holistic approach required to seamlessly package products and services together is very different from the traditional selling of product," explains Greg Shortell, the president and CEO of Network Engines, a provider of storage and security appliance services in Canton, Massachusetts. (Until recently, Shortell was a senior vice president of global sales and marketing for enterprise solutions at Nokia.) The reason for the difference, he says, is that "after a certain period of time, a customer stops buying your product and starts buying your strategy."

Suppliers have adopted a "one company" organizational structure. Business-to-business marketers selling products and solutions across many categories have moved away from a structure in which multiple business units sell separately to the same customer. Instead, sales resources companywide work together to sell all products to the customer through a single point of contact. In this newer model, sales specialists – focusing on, for example, product features or applications or technical requirements – typically support account managers, who are responsible for individual customers. The single corporate face makes life simpler for the customer. It also can boost sales results through cross selling and improved focus on providing integrated solutions that meet customer needs. But this approach increases sales expenses and can create confusion about accountability for results, presenting yet another challenge for the chief sales officer.

New Roles

These changes in the business environment have made running a sales organization more demanding than it's ever been. Sales will always be the ultimately accountable job. No other function bears such exposed responsibility for delivering on the numbers. These days, though, that is just the starting point. The successful CSO also needs to oversee sophisticated processes for such tasks as customer segmentation – processes that not long ago represented state-of-the-art practice but today are considered sales essentials. As if that were not enough, the CSO must take on five new distinct, but related, roles.

Company leader. The chief sales officer must hit his targets while ensuring that the sales organization's actions – at all levels and across all channels – support the

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company's strategy. Striking that balance means communicating broader goals to the rank and file, so salespeople can connect their day-to-day responsibilities with the big picture; it also calls for effective collaboration with other functions. "Sales leaders can no longer think of themselves as working in a tight little box, responsible only for revenue generation and relationship management," says Peter Andruszkiewicz, the vice president for national account sales at health care provider Kaiser Permanente in Oakland, California.

Every CSO faces similar general objectives: achieving revenue growth, launching new products, acquiring customers, expanding business with current customers, improving sales productivity, and containing or reducing selling expenses. Only through strong leadership can sales chiefs make it clear how these goals can be achieved in support of corporate strategy. In fact, at least 15% of a CSO's time should be spent establishing and communicating a clear course for accomplishing the current year's business plan. "Without an articulation of the company's strategic direction to the sales force – and, incidentally, to customers and channel partners – you run the risk of less-than-optimal performance," says Network Engines' Greg Shortell. In large part, that's because disagreements about priorities arise.

For example, a multinational software company found that salespeople were consistently giving away the time of its billable professional services staff to secure new sales contracts. On the surface, this wasn't a bad idea. However, it ran against the corporate strategy of focusing on top-line growth at a time when there were few opportunities to increase profitability through cost cutting. The CSO believed that discretion (based on defined criteria) would be a simple fix to the problem. The hypothesis was that, if the concession were reserved for strategically important existing customers willing to experiment with new applications, complementary professional services might lead to substantial add-on revenue. After orienting its salespeople to this approach and indicating what criteria should be used to determine which customers should receive the concession, results did improve. New applications revenue from existing customers grew 35%, about three times the previous rate of growth.

The best sales chiefs are, along with the rest of the senior executive team, leaders of the company as a whole. They actively participate in formulating company strategy as well as executing it. No enlightened CEO considers entering a new market, expanding the company's product portfolio, or taking on a new channel without seeking the advice of the CSO – that is, if the CSO has won his respect and trust. For instance, a sales chief can offer valuable insights about the company's customers: which ones plan to grow, where their growth will come from, and what their particular needs will be. "My CEO expects that I will bring him market intelligence about what our customers require from us so they can be successful in their business," says Mary Delaney, who leads a 600-person sales force for the online job broker CareerBuilder.

As an integral part of the senior executive team, sales chiefs are also expected to collaborate with all functions of the business in delivering value to customers. Indeed, they should lead the creation of an environment in which people across the organization see themselves as members of a customer-facing team.

A sales chief can take on an even higher profile role in a company where the sales function hasn't traditionally been a priority, such as in a professional services firm or a real estate investment trust. In such a case, the CSO must lead a cultural revolution, building a sales organization that promotes the firm's commitment to growth in partnership with its customers.

Consider the following example. The partners in a major regional accounting firm were concerned that their business was not growing as fast as others in the industry. After several failed attempts to spur growth through a part-time approach to sales, they decided to appoint a full-time partner in charge of sales. According to Ford Harding, president of the sales and marketing consulting firm Harding & Company, professional services firms need "a formal process to provide sales leadership both in acquiring clients and in managing the relationships in those accounts." Bringing a previously unheard-of focus and consistency to the sales process did, in fact, yield faster growth for the accounting firm. Before this investment in the sales leader role, fees grew at a rate of 5% a year. Two years after the change, fees grew more than 10% year over year, and this trend has continued. The partners believe that this is the result of the shift to a formal sales process with its own leadership, as well as improved business conditions.

Customer champion. If the customer is king these days, who lives within his inner circle? Of all the functions, the sales organization comes closest, and the CSO is thus the most effective conduit for funneling customer-related insights to the rest of the senior executive team. The successful sales leader spends more time with customers today not only because they have valuable things to say but also because they demand to be heard by their suppliers' most senior people. As other, nonsales senior executives throughout the company respond to such demands, the CSO can serve as a role model for his peers in interacting with customers.

Customers want close contact with their suppliers' senior executives in order to understand product strategy, look at new offerings in advance, and help with decisions about how future products will meet their particular needs. They also want top-level contact so they will have someone to call when something goes wrong – an inevitability in even the best of customer-supplier relationships. Through frequent conversations with its major customers, financial information provider Dun & Bradstreet learned that they wanted a link, above the account manager level, with the company's sales organization. "Our customers are looking for a C-level-to-C-level relationship that they count on as a safety net in the event that our people and their people hit an impasse as they work together," says Mike Collins, D&B's vice president for sales operations. "If issues arise, relationships are already in place."

Such a relationship clearly benefits suppliers, as well. It provides an invaluable window into a customer's growth plans – a window that otherwise might not exist. Network Engines' Greg Shortell says that most customers, regardless of the product, have a buying cycle. "During that time," he adds, "they will work with you, giving you the luxury of guiding their future. At the end of that period, if you have done your job well, you're likely to be in an advantageous position to supply their needs." The head of sales is both a natural person to establish this sort of relationship and the one best positioned to translate the needs of important customers into useful strategic information for senior executives in her company.

> At least 15% of a CSO's time should be spent establishing and communicating a clear course for accomplishing the current year's business plan.

Of course, it isn't always easy for suppliers to forge these high-level relationships, especially since customers' purchasing managers (who are growing more sophisticated and aggressive and are charged mainly with getting the best price) may view such relationships warily. What's more, the use of the Internet to secure and filter initial bids takes some personal contact out of the process. "Squeezing the relationship out of the equation makes it very difficult to create and sustain C-level contacts," says Ron Drake, a managing director of eFunds International, which sells electronic payment and financial risk management systems to financial institutions, retailers, governments, and other organizations worldwide.

So CSOs need to find opportunities to share their business insights with senior executives at client companies as a way of keeping the conversation alive. Drake, responsible for eFunds' business in Europe, the Middle East, and Africa, says that the U.S.-based company's global outlook gives it a foot in the door for C-level conversations: "We can talk about what other companies are doing around the world, something senior executives are interested in." That helps counter the trend toward a limited sales role in the company's key industries of banking and telecommunications, he adds.

A Week in the Life of Ben Bulkley

An evolving business world has forced chief sales officers to take on a variety of new roles. Here's a look at how these responsibilities help shape a typical week for Ben Bulkley, who heads the worldwide sales organization at Invitrogen, a provider of life science products and services in Carlsbad, California.

Monday	AM	• Monthly global business review, North America (conference call)
	PM	• Company Pricing Council meeting • Sales Force Effectiveness Project update • eBusiness update • Monthly global business review, Asia-Pacific (evening conference call because of time difference)
Tuesday	AM	• Product business unit marketing meeting
	PM	• Preparation for next week's industry association board meeting and company analyst meeting • Flight to London
Wednesday	AM	• Meetings with Customer X (outside London): General discussion with top executives about customer's business strategy Workshop on latest developments in intellectual property protection
	PM	• Meetings with Customer X: Tour of company manufacturing plant • Flight to Glasgow • Dinner with European field office staff; discussion of particular customer challenges
Thursday	AM	• Flight to Paris • Meetings with Customer Y (outside Paris): General discussion with top executives about customer's business strategy
	PM	• Meetings with Customer Y: Workshop on latest trends in U.S. National Institutes of Health research funding • Flight to Los Angeles
Friday	AM	• Sales managers' leadership development workshop • One-on-one coaching of high-potential sales manager • Interview job candidates for top sales positions
	PM	• Review detailed weekly sales update by region and product • Cross-functional meeting on new business development initiatives • Review Customer Z account plan with executives from product development and customer service in preparation for next week's meeting with Customer Z (Shanghai)
Saturday	AM	• Strategic-planning meeting with project team in preparation for Monday's presentation to CEO and rest of executive management team

As a **process guru,** Bulkley ensures that sales process changes are integrated into daily sales activities.

As an **organization architect,** he determines whether the online ordering system may require a redesign of direct sales strategies.

As a **customer champion,** he strengthens the company's C-level relationship with the customer by providing information about the latest developments on industry issues (rather than merely giving product information).

As a **course corrector,** he watches for subtle signs that sales strategy needs to be retooled.

As a **company leader,** he collaborates with other functions to align product development and sales strategies.

Process guru. As we have seen, CSOs increasingly must have a dual perspective, looking outward toward customers and inward at their own organizations. Over the past decade, they have honed their processes for selling products and services and managing customer relationships. In fact, a CSO may spend 10% to 20% of her time defining, creating, managing, and improving such processes – or sifting through stacks of proposals from consultants and sales-training companies offering database applications, customer relationship management tools, process maps, and other approaches.

This focus on process has become particularly important as many organizations have moved beyond selling discrete products or services and toward "solutions selling," putting together bundled offerings of products and services designed to meet important customers' individual needs. (For a look at the challenges involved, see the sidebar "Selling to Solve.") Careful reinvention and oversight of the sales process are critical also in the case of a merger, an acquisition, or a new product introduction.

Adopting a true sales leadership role may mean delegating some of the process-related tasks that currently occupy so much of a CSO's time. Directly managing the continual upgrading of foundational processes – customer segmentation, sales channel management, technology support – can be a dangerous distraction from more important leadership challenges. "Best practices are a constantly moving target, and there really is no silver bullet," says Alan Cervasio, vice president for global sales strategy at Marriott Vacation Club International in Orlando, Florida. The dogged pursuit of world-class performance in these processes, while essential, can be handled by others.

Organization architect. A good CSO should also spend a significant amount of her time evaluating and occasionally redesigning the sales organization's structure to ensure that it supports the company's strategic goals. Often, this involves finding the right balance between specialized and generalized sales roles. In a generalist sales organization, each representative or account manager sells a company's entire, but usually limited, product line to customers who typically are all in the same industry, thus providing a single point of business contact to customers. As a supplier's product portfolio grows larger and more complex, though, or if the customers are numerous and from different industries, some sales specialization is usually required. Indeed, the broader the portfolio and the greater the number of markets in which the customers operate, the greater the need for specialization. That need can be met by a sales force of generalist sales reps supported by product sales specialists, for instance, or by separate specialty forces dedicated to a single product or market.

Many business-to-business marketers have adopted the generalists-supported-by-specialists model as their product portfolios or solution sets have broadened. The result has been a shift in the locus of sales activity from the business unit, which had separate sales and service functions, to a single companywide sales unit comprising account managers and sales specialists who cover all customers and markets. Because this approach offers customers "one-face, one bag" as they make their purchases, it has caught on with suppliers.

Given the potential for increased sales costs and confusion about accountability for results, however, it is

Selling to Solve

It's the byword of modern marketing: Instead of selling simple products or services, companies sell "solutions." That presents particular challenges for sales leaders to manage. Instead of simply getting a customer to choose their products over rivals', they draw on an array of corporate and external capabilities to design an integrated offering meant to solve a customer-specific problem.

Companies view solutions selling as a way to build strong relationships with customers and earn price premiums for the value they deliver. Because it can be incredibly inefficient and expensive, however, suppliers must identify their most strategic customers and offer solutions packages only to them. Even after doing this, suppliers may learn that some of those customers aren't interested in making the investment on their end. Customers might want to do things the old way, simply completing a transaction to buy a product or service.

Too often, companies commit to solutions selling without completely understanding what they need to be successful. The sales chief considering this approach not only must understand the process but also must structure the organization to support it. That includes having the competencies – somewhere in the organization, if not in sales – to negotiate with external partners who will be needed to help craft solutions. It also means that the field organization must be trained in solutions selling. Whereas the traditional sales relationship involves a series of transactions, selling solutions calls for a consultative relationship in which those who do the selling add value. Finally, the CSO needs to confirm that the delivery organization has been trained in solutions implementation, since the customer is going to hold the supplier accountable for a single point of delivery.

If the solutions-selling processes – from start to finish – are not right, then profit margins are likely to suffer because of redos or givebacks such as partial refunds or future concessions.

becoming clear that some CSOs have overspecialized their organizations. A recent study of 12 technology companies – conducted by the consulting firm Growth Solutions, a business partner of ours – showed that senior management in each company was actively looking for ways to simplify the sales model, which may require dismantling or at least streamlining some of these specialized organizations. The trend toward specialization can be attributed to a combination of factors: revenue growth, product line expansion, and mergers that aren't followed with careful product line rationalization. After a merger, for example, integration team leaders often add sales specialists for the sake of politics and appeasement instead of designing sales coverage in response to a rigorous customer segmentation exercise.

> The CSO is the most effective conduit for funneling customer-related insights to the rest of the senior executive team.

Whatever the mix of generalists and specialists, it will always elicit protest. Product managers complain, "Without specialists, my product line will not receive the necessary sales support to achieve plan." Sales managers reply, "We have the relationships with the customers. If you blow up our account management organization, the value of this acquisition is going south!"

Because sales specialization is so common today in companies selling multiple product lines, the CSO needs to determine whether it costs more than the resulting sales and margins justify. He should be looking at financial measures (the cost of generating revenue growth, assessed by channel, new market segment, and new product); customer measures (account revenue retention, the number of new accounts acquired at or above a defined revenue threshold, and the proportion of business derived from new and existing customers); and sales productivity measures (quotas, the average size of sales transactions, and the balance of sales across multiple products in target accounts). A detailed assessment of the sales force's structure will need to be repeated after any number of corporate developments – for example, the introduction of a new product.

Course corrector. A sales chief always needs to be looking at some point on the horizon, then designing and redesigning the sales organization to help the company get there. But the CSO can't take her hands off the levers or forget about the dials, or she might fail to respond to signs that a quick adjustment in sales priorities is needed. The best CSOs will tell you that missing annual revenue and margin goals is simply not an option in their companies. Consistent, predictable performance is expected, so they have to manage their organizations for results, using short-cycle data and analysis. Investments in staff, CRM technology, and tools for account planning, forecasting, and quota allocation have made sales performance data – organized by segment, channel, and sales process – more readily available to sales executives. Of course, that information has little value unless it is put to intelligent use.

Nokia has assembled a back-office staff (what the company calls a sales operations team) that includes a sales controller and sales analysts who monitor, measure, and chart sales results. Greg Shortell says that when he was with Nokia, this team allowed him to relinquish basic navigational duties and spend more time with customers. But when alerted to a problem – he received sales performance data twice a day – he had to be ready to rapidly change course.

Salespeople in the field are sometimes reluctant to respond to requests from senior management for such detailed information. Managed properly, though, the information exchange can be very productive for both sides. "While our sales force owns the responsibility for relationships and sales results, I make it clear to them that our leadership team welcomes requests for help," says David "Skip" Prichard, president of the higher education and library unit at ProQuest, an information management company in Ann Arbor, Michigan. "At the same time, they must tell us when we are 'helping too much,' interfering in their customer relationships."

• • •

As Prichard's comment suggests, the pressures on a chief sales officer come from without and within, from above and below. We've laid out a daunting portfolio of roles that a sales leader must embrace if his organization is going to provide the profitable top-line growth the company expects. Over time, the job description is likely to become even more demanding. As Alan Cervasio of Marriott Vacation Club International says, "CSOs must hold the view that sales, as a function, is continuously evolving. There is no constant state, only a state in which you are clear about what you need to be changing to in order to succeed."

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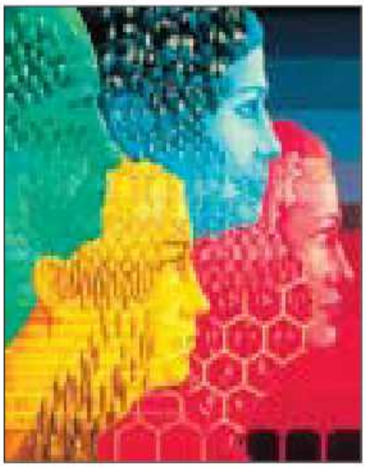
BUSINESS SCHOOL UPDATE

B-SCHOOLS ADAPT TO MEET GLOBAL MARKET DEMANDS

by LOREN GARY



THE NEED FOR WELL-trained executives worldwide is growing exponentially. And as the MBA becomes a near prerequisite for managerial positions globally, how—and where—executives are educated is changing dramatically.

THE MBA GOES GLOBAL

According to McKinsey & Co., the Chinese economy will need 70,000 more top-level executives by 2010 than it has now. So Tsinghua University, Fudan University, and other leading schools have partnered with Western universities to offer state-approved MBA programs. Enrollments have increased more than tenfold in the past 15 years.

In Europe, signs of the growing prominence of the MBA abound. In Germany, where universities were prevented from offering Anglo-Saxon-style master's degrees until 1999, dozens of schools now offer the MBA. Meanwhile, in the United Kingdom, the number of MBA graduates rose 45 percent from 1994 to 1999. What's more, some of the better-known European business schools are looking to increase their global presence. London Business School, for example, has partnered with Columbia Business School—ranked from 2000 to 2005 by the *Financial Times* of London as the number-one provider of executive education worldwide—to deliver joint executive education programs.

As new MBA programs crop up around the world, business school deans here in the United States are focusing on what they can do to remain relevant. Two recent developments that may prove to be the most far-reaching are an increased emphasis on creativity and innovation and a commitment to lifelong learning.

CREATIVITY: A BUSINESS TOOLBOX ESSENTIAL

Efforts to introduce design thinking into the business school curriculum have been under way at Harvard Business School, Northwestern, Georgetown, and Michigan for years. But now the call for a multidisciplinary approach to business innovation has prompted some schools to expand these offerings. To help students better understand how market breakthroughs really happen, top b-schools are forging links with design schools. At both the Integrated Product Development Track at Carnegie Mellon's Tepper School of Business and Stanford's Institute of Design, engineers, marketers, and designers mix it up in the classroom. Ditto INSEAD's recent collaboration, which brought students from the Art Center College of Design in Pasadena, California, to France to work with MBA students on new-product ideas ranging from luggage designed especially for women to a device that removes the smell of cigarette smoke from clothes.

UCLA Berkeley's Haas School and the University of Pennsylvania's Wharton School have debuted courses in design as a strategic business issue. This fall, the Tuck School of Business at Dartmouth will debut a course titled "Strategic Innovation for Breakthrough Performance," where students will learn to identify high-growth-potential opportunities in emerging industries and implement new businesses within established firms. The Rotman School of Management at the University of Toronto is one of the leaders in developing a business-school curriculum for design strategy and innovation. And the London Business School has established what it claims to be the world's first university-based management innovation lab. Here, students experiment with the way organizations are set up to help improve innovation hit rates and overall business productivity.

FOSTERING A LIFETIME OF LEARNING

Feeling squeezed by the need to cover the basic disciplines of finance, accounting, marketing, organizational behavior, and operations while responding to society's call for more emphasis on ethics, judgment, morality, and the softer skills of leadership and people management—all within a two-year curriculum—some schools are turning to their executive education programs for help.

The Kellogg School of Management at Northwestern, the Ross School of Business at the University of Michigan, and the Fuqua School of Business at Duke are focusing more attention on the lifelong learning needs of their alumni. First, they're looking to redesign their MBA programs to place more emphasis on a broader approach to business—for example, giving students a more realistic understanding of the global context of business. Then, executive education programs will be developed to bring MBA graduates back to campus throughout their careers, where they will learn the multidisciplinary skills they require.

It stands to reason that the business school should be the part of academia that's most willing to experiment with new approaches in response to market forces. So if these developments aren't enough to keep up with the needs of the global business community, business schools will likely try something else pretty quickly.

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Harvard Business Review

BEST OF HBR

> HEEDING THE CUSTOMER

WHO CAN DOUBT that a born salesperson with a disarming manner and a comprehensive sales plan can persuade a carefully qualified buyer to make a major purchase? The four HBR classics that follow explain, separately, the native qualities of the successful salesperson, how to identify the people worth approaching, how to overcome the typical buyer's resistance to standard selling techniques, and how to transform the selling effort into a coherent process that results in a contented but still receptive customer.

The first article, "Making the Major Sale," by Benson P. Shapiro and Ronald S. Posner, proposes implementing a methodical, eight-stage process when the size of the transaction both demands and justifies the effort involved. The authors suggest that a credible third party introduce the sales team to the true decision makers, from whom the team elicits information about the company's needs. The sales presentation that ensues is more likely to take into consideration the purchase's impact on the company's operations and budget. Because each successive stage of the process rests on the successful execution of the previous one, the sale's actual close seems almost anticlimactic. Although some sales, such as of a company, can be so large that they are unlikely to recur, the authors note, in general it is a good idea for the salesperson to continue nurturing the account relationship by indicating other areas of service available and ensuring that the purchase does not subsequently disappoint.

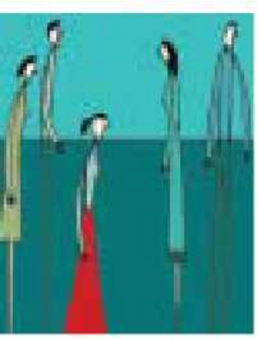
A rational selling process like the one Shapiro and Posner describe assumes a buying process that is no less so. Consequently, the techniques developed to overcome coolheaded consideration, which have given sales a bad name, can be counterproductive, according to Edward C. Bursk in "Low-Pressure Selling." The point is to avoid arousing a buyer's defenses and to "unleash the buying urge," which the author maintains exists a priori. A gratis analysis of the buyer's situation informed by a sincere concern for the buyer's wants and needs and the product's fitness for satisfying them can be far more productive than the quasi-coercive tactics some salespeople still favor, which may in fact conceal the extent of the prospect's interest in one's offering.

A salesperson equipped to discern a buyer's unarticulated requirements has "empathy," claim David Mayer and Herbert M. Greenberg in "What Makes a Good Salesman." But empathy by itself is never enough. Effective salespeople must not only care about the customer, they must also care enough about themselves to hunger for the conquest. One might think it is the rare salesperson who possesses this combination of almost contradictory qualities. The authors' studies found that approximately one person in five has it but that it must be inborn.

Although it may be possible to describe the ideal salesperson, the concept of "buyer," with his or her singular psychology and motivations, is a terrible oversimplification, says Thomas V. Bonoma in "Major Sales: Who *Really* Does the Buying?" To be successful, a salesperson must have "a feel for the buying center" – that is, a sense of where and by whom the decision actually gets made and who would be in a position to influence or block it. To develop that feel requires much digging, since "the decision-making unit" usually does not appear on an organizational chart.

A sales effort characterized by aggressive but intuitive salespeople in pursuit of distinctive but collective prospects undeniably requires much judgment and planning. A sophisticated sales department will take the trouble if it means increasing sales and eliminating brute force and buyer's remorse.

–The Editors

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BY BENSON P. SHAPIRO AND RONALD S. POSNER

MAKING THE MAJOR SALE

An eight-step process to help companies learn to cope creatively with large and complex selling tasks – and have lasting results.

IT HAS BECOME increasingly clear over the past 15 years that salesmanship has been changing, especially when one business sells industrial or consumer goods and services to another.[1] As a result, the salesperson is being called on to perform in a different way.

One major change is that as mergers and acquisitions, sales of parts of companies, and different kinds of corporate financing have become more prevalent, the one-of-a-kind, nonrepetitive sale – such as the sale of a subsidiary or company, or a licensing arrangement – has become more important. These transactions have always existed, but they are more numerous and significant now and are beginning to attract the attention of sales management.

Second, businesses have become larger (and at the same time more complex), and the average size of the sale has grown. In certain industries, this change has been dramatic, especially with the development of system selling and large private-label contracts in consumer goods. Consider these examples:

• The Industrial Chemical division at Allied Chemical has sold sulfuric acid for many years. Its larger annual contract

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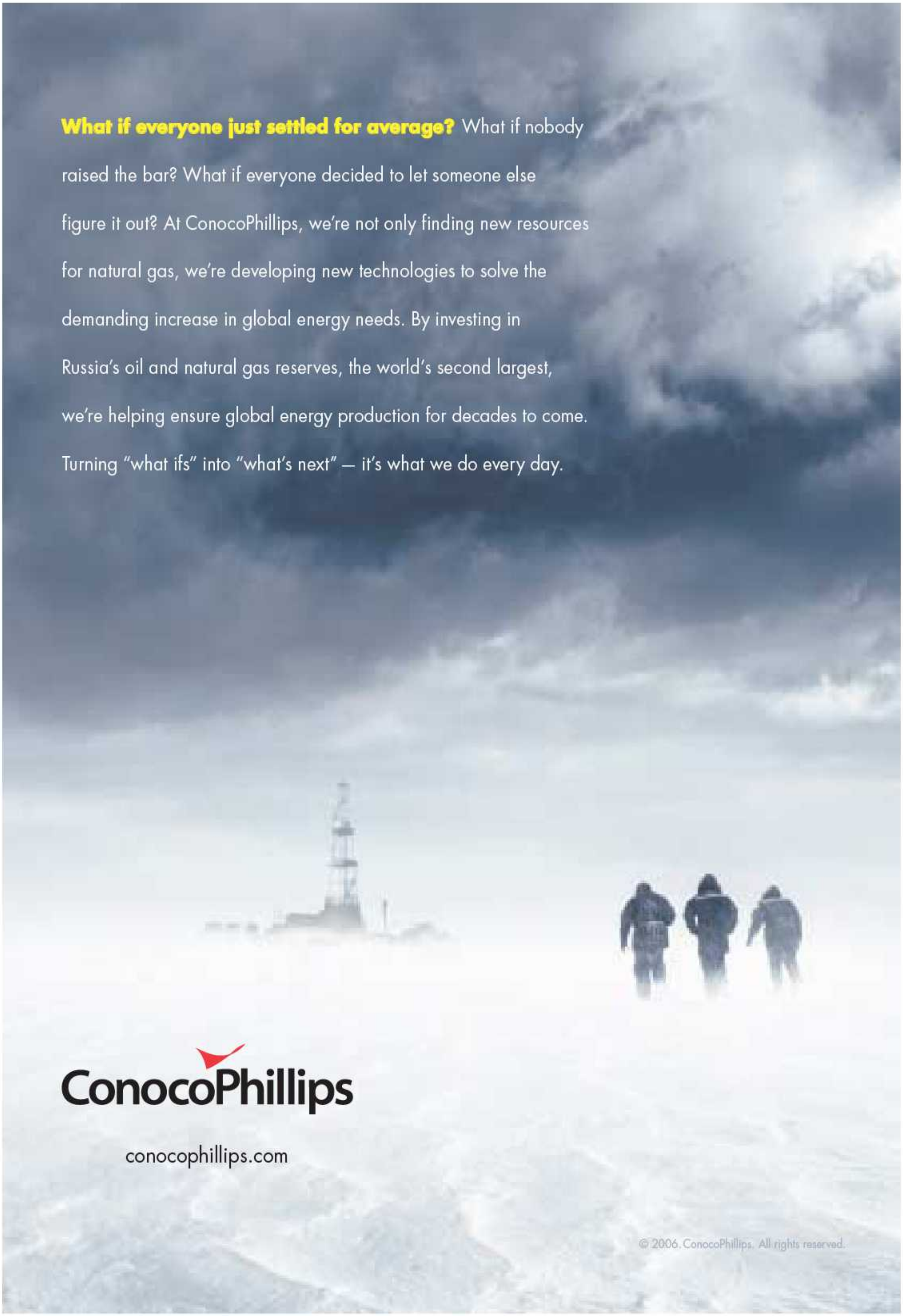
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sales have been in the $1 million to $2 million range and have lasted for several years. Recently, the division developed a process for air pollution control whose sales involve a total capital commitment for a utility of more than $20 million and cover many years.

• Private-label contracts for consumer goods have not only grown in size but have also gone beyond the traditional general merchandise chains (Sears, Roebuck; J.C. Penney; and Montgomery Ward) to cover supermarkets, discount department stores, and regular department stores. Arrangements involving more than $10 million are not uncommon with such contracts.

• Even comparatively small companies are making large sales. In the field of building cleaning and maintenance, companies with $10 million in sales often compete for million-dollar contracts.

• The outcome of a few large sales can sometimes determine a company's well-being. For example, one of Lockheed's major continuing problems has been low sales of the L1011 aircraft.

In industry, the consequences of the repetitive sale are often even more profound than the initial commitment itself; for system selling, one purchase decision can involve capital, supplies, raw material, and processes. The sale of a computer system can seriously affect a corporation's procedures and policies for many years. Methods of financial reporting, inventory control, production control, marketing, and administration can all be affected.

As the complexity of the purchase and the risk involved have increased, so have the cost and intricacy of selling and servicing the account. The average industrial sales call costs more than $70, with some sales requiring years to consummate. Larger sales often require special products and services and even custom manufacture. For example, most private-label lines are designed expressly for one customer.

Because the major sale affects many functional departments of the buyer, decision making is becoming more involved and the buying criteria more sophisticated. Naturally, the buyer's personnel are concerned over such a large purchase and must carefully evaluate its impact on their operations. Thus they need continuing reassurance and, in particular, more financial data – data such as return on investment and cost/performance measurements.

In this article, we will try to develop a program of responses that marketers can use in confronting these two new situations. After explaining the basic approach, we unfold eight steps management should take to ensure a more successful and long-lasting sale. Finally, we provide some organizational guidelines to help companies incorporate this approach into their overall activities.

Because the major sale affects many functional departments of the buyer, decision making is becoming more involved and the buying criteria more sophisticated.

The Basic Approach

Major sales, including both onetime sales and continuing relationships, need special handling: They are more complex, their potential profit is larger, and they have a more lasting effect on both buyer and seller. A systematic approach that works for both types of selling situations is strategic selling. This is a meticulously planned, total process, requiring coordination of the buyer and seller, that identifies the customer's needs and relates the company's products to those needs.

Strategic selling is especially relevant for "big-ticket" sales because only large potential profit can justify the careful planning and large amounts of resources that are required. Although it is not a new technique, it is attracting attention because it brings to bear more people, greater resources, and more information about the customer's needs; these characteristics uniquely suit the changes that have taken place in salesmanship.

The process is particularly effective because it emphasizes the dual goals of making the sale and developing account relationships. With escalating profits and longevity of sales, this latter goal is increasingly important. In fact, for repetitive major sales the objective should be to develop long-term account relationships, not just sales. The supplier with an established account relationship has a significant competitive advantage. Because risks are high and an intimate buyer/seller relationship builds up over time, buyers are hesitant to try new suppliers and tend to remain with established ones (unless the relationship becomes unbearable or costs increase significantly).

In fact, several corporations believe that their best prospects are current customers. For example, experts in the computer industry claim IBM statistics show that each new account's purchases grow eight times in every six years – this means that the new $5,000-per-month account will be producing $40,000 per month in six years.

Since satisfactory account relationships are an advantage to a marketer, the salesperson has two responsibilities: (1) to stress the long-term benefits of the account relationship to the customer and (2) to help develop trust and credibility in himself and his company.

There is a definite trade-off between "forcing" a customer to buy something and developing a long-term relation-

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ship with that customer. This trade-off can lead to a phenomenon called the "Pyrrhic sale," in which the sale is made at the expense of the account. In long-term relationships the customer is repeatedly in the position of being able to purchase the product. This circumstance requires the salesperson to manage the account carefully: If he (or she) forces a marginal sale, this often destroys credibility and the opportunity for future sales. But if the salesperson is willing to forgo a sale that is not in the long-term interest of the account, he can build his relationship with that account.

For example, the seller of apparel who is willing to tell a customer that some items in his line do not sell well at retail, in spite of their apparent appeal, helps his customer and himself over the long run. Or picture the response a buyer would give to the pump salesperson who says, "Yes, we offer the best pumps for your needs *a, b,* and *c,* but unfortunately, our pumps are not as good for application *d* as those offered by competitors *x* and *y.*"

The onetime sale is a somewhat different situation, in that the buying company is even more careful in protecting its interest. But the seller should still want to "leave a good taste in the buyer's mouth" because the sale is visible in the business community, especially within the particular industry, and because the buyer and seller will often be involved with each other after the sale. For example, the managers of a company being acquired often become employees of the buying company. Thus they want to structure a sale that will leave all parties satisfied. This is also true of licensing arrangements and other onetime sales that create lasting relationships.

One of the intriguing aspects of the onetime sale is that both sides are usually selling to each other. For example, the acquiring company often spends a great deal of effort selling the managers of the potential acquisition on the benefits of the merger. This leads to a two-sided romance negotiation in which both parties are sellers and buyers. Thus strategic selling can be applied not only to both types of major sale but also to both sides of the onetime sale.

Step by Step

Strategic selling is an eight-part process that develops the sale from the initial decision to pursue a prospect, through the appropriate strategy for courting an account, to the eventual close of the sale. Because strategic selling is also concerned with developing account relationships, the process is not complete without a discussion of how to sustain those relationships. Let us take a look at each of these steps in turn.

1. Opening the selling process. In preparing for a sale, the salesperson should do enough homework so that he has an idea of the likelihood of a sale and the appropriate person to contact initially. Assuming he feels he has a chance to make the sale, his next step is to make the "opening," which is often done over the telephone. His object is to gain enough information from the initial contact to determine the most appropriate person or people to meet.

The best opening, particularly for one-time sales, is sometimes made through a third party; this enables the seller to gain recognition and credibility, avoid making a cold call that puts him at a disadvantage, and obtain information without announcing his intentions. Some companies have developed proven third parties into a "second sales force." Consider these examples:

• A young Los Angeles–based company that sells television production services always finds it easier and more effective for its duplication and distribution supplier to make the introduction. The latter company has been in business 30 years and has established an excellent reputation and a large, satisfied customer base.

• Bank of America is training its corporate loan officers to approach CPAs for an introduction to the latter's clients.

For these third-party openings and references to work over a period of time, both parties have to get something from the arrangement. Frequently, such informal relationships work out so well for each party that a more formal sales agreement results in a commission or royalty to the third party for introductions that lead to firm orders.

2. Qualifying the prospect. The next step is to determine whether a sale can eventually be made, or as someone has described it, to "separate the suspects from the prospects." Unfortunately, many companies appear to spend more time selling to prospects who have no intention of buying than to those who do. The old criterion of numbers–which measured selling effectiveness by the number of sales calls–is no longer valid; what matters is the quality of the call. The salesperson should ask himself questions like these:

- Does this prospective buyer really have a need for my product?
- Do the top managers recognize that need?
- If they don't, is it likely that I can educate them?
- Can I justify my product as a response to that need?
- Can I identify influential buyers and others who may affect the decision to buy?

All of these questions boil down to two equally important issues: (1) Can my company be of service to their company? and (2) Can I bring the two companies together? It's almost impossible, for example, for a salesperson to compete with another eager seller who has a close relationship, such as a family tie, with the prospective buyer.

Psychologically, the qualification process is difficult for a salesperson to accept because he has historically been taught that the "lead" is his most valuable possession. What he must learn now is that if the lead is not likely to become a sale, he should not pursue it, and that he is going to have to make the decision about its potential for himself. Not only does he have to ask penetrating questions like those mentioned previously, but he might also have to break off a friendly relationship if it doesn't promise any business.

3. Developing the sales strategy. In strategic selling, so many activities are required, so much information has to be obtained, and so many influential people have to be attended to that it is easy to overlook important considerations.

Once he thinks the sale is possible, the salesperson needs a plan to enable him to direct his own efforts and to deploy his company's resources to make the sale and develop the account relationship. What we call the "Strategic Sales Opportunity Profile" is a simple technique to help him map out his entire strategy and organize his sales effort so that all the bases have been covered.

On one form, the salesperson can list people contacted, information obtained, his own activities, follow-up action, and results of the contact. The information he obtains will vary widely, from the practical (certain individuals need detailed cost estimates, or specific product and application data) and organizational (they will only negotiate with the seller's organizational counterpart or need reassurance about their role vis-à-vis the purchase), to the personal (they prefer concepts to details or cannot make a decision unless one of their associates confirms it).

If he completes the profile carefully, updates it regularly, and pursues each selling activity to its conclusion, he will be more likely to close the order. In addition, if he loses a sale, he will be able to make a better postmortem diagnosis.

The profile can also provide valuable information to product and market planning personnel at headquarters. By accumulating the data from the profiles nationally, planners can see trends, such as new applications for their current products, and the need for new products or services.

The salesperson's strategy should be based on the detailed information he has gathered during and after his analysis of the buyer. If he has grasped the idea of strategic selling, he will have asked the right questions: Will the person I'm going to call on make the actual decision? What kind of person is he? How does he fit into the organization? What is his background? Is it technical? Managerial? Where did he work before?

His strategy should also ensure that all of the influential buyers receive attention and the appropriate kind of attention (for example the traditional lunch or dinner, or financial data for the treasurer, or technical information for the engineering manager).

The key to strategic selling is calling "high and broad," something most salespeople fear or don't understand. They can talk to a purchasing agent or plant supervisor with relative impunity, but the prospect of calling on a president or an executive vice president frightens them. Although they know that high-priced sales decisions are made at very high levels, they often sell only at the lower levels, where they feel more comfortable, and let the middle-management contacts they have made there carry the story to top management.

This decision has two detrimental effects: (1) Some of the strength of their sales presentation is lost in the transmittal, and (2) what is even more damaging, the salesperson often loses a chance to develop a relationship with top managers and to directly gather data on the situation as these managers perceive it. After all, top managers are the people most affected by major purchases, since they will probably have to alter corporate policies and procedures to accommodate the new product or service.

For example, the salesman for a materials handling system spent three months with the director of western warehouse operations of a large New York–based manufacturing company. All along, this contact assured the salesman that he made all the decisions for his area. Unfortunately, competition got the business for the four *regional* warehouses because it won over the VP of operations in New York, who had the budget approval for all new warehouse systems.

4. Organizing the justification. Once the salesperson has determined whom to contact (and at a high enough level), it is time to assist the company in cost-justifying the purchase. For the company to make a decision on a multimillion dollar product or service, each top executive will have to understand exactly how the purchase will affect *his* operation, budget, cash flow, and personal concerns.

So, at this stage of the strategic sales process, the salesperson must meet with each top executive affected by the purchase to determine his position, unique needs, and the qualitative and financial criteria he uses to justify large purchases. This entails becoming completely conversant with the prospect's operations, gaining a detailed grasp of its finances, and understanding the effect the seller's products and services will have on those operations. In effect, the salesperson should know as much as or even more about such matters than do some of the prospect's top people.

The salesperson is more likely to succeed if he understands the few really important variables that will eventually affect the final sale. Then he can limit the data he needs to those pieces of information and the sources for that information.

Since most cost justifications will be based on certain key assumptions, it is important to get a consensus on each assumption from the decision makers. Even when the salesperson isn't sure how the purchase will affect the organization, he can solicit opinions on potential cost benefits. Answers to such questions as, "Do you feel our service can increase sales by 10% over a two-year period?" or "Have you achieved a 5% decrease in labor costs with similar machinery in the past?" from several top executives can give the salesperson a way to justify the purchase, or at least to test alternative solutions to the prospect's problems. The object is to focus on what the prospect thinks is feasible and to use *his* numbers, not those the selling company believes are possible. By combining the best points made by each manager, the salesperson stands a better chance of having his reasoning accepted by the purchaser.

If he gathers data correctly, the salesperson will discover that this is his best time to sell; the decision makers are most free during this phase to say, "Here's what I want" and "Here's how I want to be sold."

5. Making the presentation. The presentation summarizes all of the relevant information in the form of a proposal. If the right people are in attendance, the salesperson should usually use the presentation as an opportunity to ask for the order. While there is no established pattern for the most effective sales presentation, the selling company should carefully consider these factors: elements and order of presentation, location, timing, and who will be listening.

Elements and order of presentation. The best selling presentations deliver no new information to the audience. The presentation should only summarize the agreements previously reached with each of the decision makers, thus reinforcing the agreed-on solutions, cost justification, and the implementation commitments. People used to working with committees will be familiar with this approach: A typical way to handle a committee is to personally sell each committee member on a proposal before the meeting and then to gather general agreement at the meeting.

The sidebar "Elements of a Formal Presentation," shows the elements that a selling company should consider for a formal presentation. Note that the presentation basically flows from action to analysis to implementation. The summary is listed first because it outlines the conclusions and recommendations of the study, and because it provides the audience with a general understanding of the direction of the proposal.

Location. Marketing and sales managers often neglect the many possibilities open to them for a location–such as the prospect's facilities, a rented hotel or conference center space, the selling company's own seminar or presentation facility, an installation done for another customer, or a mobile display unit mounted in a trailer or bus.

Timing. This is another element that will be critical to the effectiveness of a presentation. If a salesperson and the prospect haven't reached mutual agreement on major points, such as the seller's analysis, then the presentation may be premature.

Attendees. The selling company should make sure that all decision makers are at the meeting, and invite those people within its organization who can best represent it from a social as well as business point of view–in other words, the counterparts of the prospect's personnel. The total group should be small enough to remain intimate and workable. The seller should also ensure that the presentation has enough variety

Many companies appear to spend more time selling to prospects who have no intention of buying than to those who do.

Elements of a Formal Presentation

MANAGEMENT SUMMARY
Ties the presentation to the individuals involved in the sale, reflects mutual agreement already reached with the top decision makers, and makes note of the customer's criteria for selection.

SCOPE
States the objectives and nature of the problems being solved or challenges being addressed.

ADVANTAGES
Spells out the advantages in such a way that the presenting company's products or services are made exclusive (so that they cannot be duplicated by competition).

RECOMMENDED SOLUTIONS
Tailors the specific products, services, programs, or all three to the prospect's requirements, environment, and management objectives.

FINANCIAL ANALYSIS AND COST JUSTIFICATION
(reached through mutual agreement)
Shows the economic justification to favor the seller company's method over the prospect's current means of performing the function and over possible proposals from competition.

IMPLEMENTATION SCHEDULE
Describes the seller's and the prospect's responsibilities, the people to be involved, and dates of completion for the main tasks.

CONTRACT
Spells out the terms and conditions of the sale, which have already been discussed with the prospect.

of speakers to be interesting but not confusing. Some team members may take active roles, some may provide supportive information, and others may be there primarily as a formality.

For several reasons, the personal involvement of top managers is justified, and frequently required, by the buying company. First, they are the only people who can make the commitments the buyer requires – that is, adjust the selling conditions (including price, delivery, product features, and quality) and make and guarantee commitments that would sound hollow coming from lower management.

Second, they have the appropriate status to deal with top executives in the buying organization, who feel more comfortable dealing with their organizational counterparts.

Third, strategic selling involves more risk and requires greater resources – including higher-powered salespeople and better developed programs and sales aids – than the more typical approach. Only top managers can provide the discipline, allocate the resources, and establish the high standards such a program needs. Moreover, they have to provide continual motivation to a sales force that can easily become discouraged by a long lead time for sales. Their interest and involvement can be demonstrated not only by attendance at the presentation but also by account reviews with the sales representative and direct sales calls on the prospective buyer. (For the nonrepetitive sale, their involvement is perhaps more crucial – only they can abrogate standard policies and procedures to provide the attention and resources needed on a onetime basis.)

6. Coordinating resources and personnel. During the selling process, the salesperson is responsible for managing the resources of his company, which may include financial, operations, nonsales marketing, and general management personnel and resources. For example, a private-label sale might involve a special product configuration (product development and design personnel), production capacity (manufacturing), warehousing and delivery requirements (distribution), and special costs, pricing, and payment schedules (finance and control). In addition, because the salesperson makes the major decisions and commitments, he should thoroughly understand his company's organizational, operational, and cost structure. For example, he must know what effect the commitment to deliver a large amount of a particular product will have on the company's ability to operate profitably. He should also understand the other functional areas of his company and be able to work with the personnel.

An interesting by-product of the salesperson's introduction of other resources into the prospect company is the new lines of communication that are developed between the seller and the buyer. If they are introduced and coordinated effectively, these new resources can assist the salesperson in building the account relationship after the order is signed.

The salesperson must be given a good deal of freedom to make decisions about the sale. If a large prospective customer is interested in a minor product modification, he must be able to respond quickly to that need – either positively or negatively. If the buyer gets a runaround such as, "Let me check with my boss so that he can check with engineering and manufacturing," the sale will be lost.

Marketing as a primary resource. In the marketing department alone, the salesperson may need to call on product, pricing, and advertising support, as well as sales promotion and sales aids. Many major accounts need special products or modification of existing products (such as private labels, packaging, and product-related servicing), and their volume often makes such customization justifiable. For example, a large fastener company packages its general-line fasteners in special containers for large users. The customer can feed highly mechanized equipment automatically by using the packing container as a feed bin.

Because of their volume, major accounts often desire substantial price concessions. Although the Robinson-Patman Act puts limits on both requests and grants for special concessions, some can be cost justified. In many situations, a buyer does not contest the price itself so much as the net cost of the acquired goods and services. To the buyer, special delivery patterns, payment patterns, and other concessions are sometimes more important than the price per se.

Occasionally, major accounts are especially interested in customer-designed advertising or sales promotion programs. For example, large retailers with many stores sometimes find manufacturers who provide heavy in-store support particularly attractive. Such suppliers are often more responsive to the desires of the retailer's merchandising manager than are his own store managers. Thus the in-store support is worth more to the retailer than it costs the supplier.

However, all extra services cost money. Because they are more expensive and more unusual than in ordinary sales, the selling company must carefully analyze their cost and sales impact.

7. Closing the sale. Because of the complexity of the selling process and the length of the selling cycle, the close is the first concrete evidence that the salesperson is successful. Since the signature may occur anywhere from six months to three years after the start of the sales process, the salesperson should close on each "call"–that is, he should get an agreement from the prospect up to that point in the sales cycle. Since changes in the sales situation–such as a change in decision makers, or a shift in competitive strategy–can take place between calls, it is also a good idea to reaffirm or close again on previous agreements reached on each call.

By continually asking and getting answers to such questions as, "If we could deliver that system with an average ROI of 15% per annum, would you buy?" the salesperson knows well before the process is completed whether he has won the sale. If many decision makers give him negative responses, he can get out before too much time and money have been invested.

8. Nurturing the account relationship. Some top marketers feel that the real selling starts after the order is signed for a major sale. For instance, a manufacturer of complex process control systems who performed a profitability analysis of each account discovered that 25% were unprofitable because of poor account management and salesmanship after the order had been signed.

If the product requires installation, training of personnel, or extended delivery schedules, the chances of the sale going sour increase unless the salesperson effectively controls the account. One way for him to do this is to develop a long-term plan for his products, services, and resources with the customer. He should also have his own account plan (like the Strategic Sales Opportunity Profile), which repeats most of the previous eight steps in qualifying, justifying, and developing strategies to expand the account. (His plan would be a more complete version of the plan he develops with his client.) For this planning process to work, he must involve the customer with the plan. In addition, the salesperson must locate inside advocates early to multiply his efforts in the account when he is not there.

The most important thing the salesperson can do is to keep selling contacts on the correctness of their buying decision, so that "buyers' blues" don't set in. He should continue as liaison between his company and his customer throughout delivery, installation, and usage. By dovetailing his product or service with his customer's operations and by making sure the product is producing the promised returns with the best utilization, the salesperson provides the extra assurance of add-on orders for his company and profitability for the customer. Postsales service not only reinforces the customer's confidence in the seller but also tends to keep competition out, since the customer's people are too busy working with the seller.

Organizational Guidelines

Because the strategic selling process is considerably more complex than the typical sales process, it requires new organizational techniques. For a company to solve more involved selling problems, it will have to revise the makeup of its sales force, depending on the kind of sale it wants to make; it must find solutions not only for recurring and nonrecurring sales but also for different *kinds* of recurring sales.

Variations on a theme. A company can handle the repetitive major sale in several ways. Where strategic selling is necessary throughout the sales organization (for example, when selling computers, heavy equipment, or private-label food packers) management can concentrate on developing that strategy alone. However, many companies do not use strategic selling alone. In that situation, management may find it useful to separate strategic selling from other types of selling and use one of the approaches that follow.

Special sales force. When a company has many major accounts and prospects, typical in the food and packaged-goods industries, it can use a special sales force of senior sales representatives to service them. Most food manufacturers and the larger food brokers assign their major salespeople to cover the buying offices of the large food chains and wholesalers, while assigning junior salespeople to the individual retail stores and independent accounts.

Regional sales management. Where the seller has fewer, but scattered, major accounts, the best approach is often to assign each field sales manager to one or two accounts – an approach furniture and apparel businesses sometimes use. (However, this approach runs the risk that the sales manager will neglect managing in favor of selling.)

Small national account group. Even fewer major accounts can usually be handled by a small national structure of headquarters specialists. A large ink company, for example, uses several experienced, capable salespeople to call on the national publishers and printers that have many plants, while field salespeople call on individual plants.

There are many variations on this general approach. In some companies, especially industrial products manufacturers, market or product specialists or both fill the major account sales role. For instance, one manufacturer of complex specialized industrial materials has three selling organizations. These are (1) the regular field sales force, which is organized geographically; (2) product managers who are responsible for each general product category, technically trained, and available to help the field sales force with technical and applications problems for major sales; and (3) marketing managers who are responsible for developing marketing programs for major industry categories (like electronics and capital equipment), who help handle major sales, and who participate in industry-oriented trade shows.

Separate division. Still others establish a separate integrated division for the large accounts so that these accounts can receive special attention from an integrated operation (such as manufacturing and marketing). While this is expensive and not easy to do, it ensures that large sales will not disrupt normal plant activities. This is a typical approach for companies that manufacture private-label products for large retail chains. Often these companies can reap special manufacturing savings by producing long runs and limited product lines in a separate, specially designed facility.

Top management. Finally, top executives make the large sales in some companies. One large building cleaning and maintenance contractor, for example, has no real field sales force. Instead, customer liaison people work with existing customers. However, the real sales work is done by top headquarters executives who deal with owners and managers of large buildings.

While this arrangement provides commitment and organizational attention for the large accounts, it sometimes leads to neglect in the management of the business. The large accounts begin to demand more attention than the executives can spare.

Complete involvement. On the other hand, nonrepetitive major sales are not handled by any established sales organization; a special sales force must be developed to handle them. The selling company has two options: It can develop a task force to handle the process internally, or it can contract with some form of sales agency, such as an investment banker, real estate or business broker, or private placement specialist.

If the sale is monumental (like the sale of the company), the task force must consist of people who have been removed from their other company responsibilities to as large an extent as possible. It should be put together carefully and include sales talent experienced in strategic selling and expert in finance (because of the complex nature and financial impact of such sales). In addition, people familiar with the prospective customers will be valuable to the team for their knowledge and possible personal contacts.

The nonrepetitive sales situation raises a unique training problem. Most of the learning must come through careful planning and review as the selling process is going on. However, salespeople can gain some training by working with people skilled in such sales situations (like investment bankers).

Nonrepetitive sales made by some form of facilitating sales organization, while expensive, decrease the drain on internal company resources. But even when outsiders take over much of the responsibility for the actual selling, company personnel need to be involved. Top managers don't always treat this kind of sale with the same expenditure of effort and resources as they treat other sales. They must choose the right agent – a difficult process that, to be done correctly, takes time. They must also supervise the selling process and ensure that the company's objectives are met with minimum expense. And finally, they are responsible for assisting in the actual sale, since their power and knowledge are often invaluable.

Customer Relations

In industrial marketing, buyer/seller relationships tend to be both continuing in nature and complex. They go well beyond sales transactions and very often involve technical assistance to customers, joint product-development efforts, and product service. Advertising on behalf of customers, financing their purchases, and entertaining key managers in customer companies are all tactics intended to put sellers in a favorable competitive position....

Clearly, industrial buyer/seller relationships involve many people on both sides – procurement managers, field salesmen, technical service representatives, engineers, financial managers, R&D technicians, and top corporate officers. The relationships are difficult to control and even more difficult to appraise in terms of strategic effectiveness. But they are critically important. The development of strong, multidimensional, and constructive working relationships with one's customers is the key to industrial-marketing success.

From E. Raymond Corey, *Industrial Marketing: Cases & Concepts* (Prentice-Hall, 1976); reprinted with the permission of Prentice-Hall.

1. For articles documenting this change, see "The New Supersalesman," *Business Week,* January 6, 1973; Alton F. Doody and William G. Nickels, "Structuring Organizations for Strategic Selling," *MSU Business Topics,* Autumn 1972; and Carl Rieser, "The Salesman Isn't Dead – He's Different," *Fortune,* November 1966.

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BY EDWARD C. BURSK

LOW-PRESSURE SELLING

Buying is something customers like to do. A salesperson's job is to help them follow their inclinations.

SALES MANAGERS and salesmen in many lines decry "high pressure" selling as a crude relic of bygone days. More and more they are advocating what can only be described as "low-pressure" selling. Although the swing from high-pressure to low-pressure techniques was gathering momentum long before the war, the scarcities of the last few years have accelerated it. Now, at the end of the war and just before goods become plentiful again, it is imperative that we examine this shift in the thinking of those who have to do with selling, which has gone so far that viewed in retrospect it looks like a complete about-face.

What actually is low-pressure selling? Is it the absence of high pressure, whatever that may be, or merely high pressure in clever disguise? Why is it effective – because it is different and takes people by surprise (which means it may lose its power as time goes on and buyers become hardened to it), or because it taps basic human reactions? Is low-

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pressure selling sound and productive – enough so to keep moving the increased volume of goods that our postwar planning calls for? Or are sales managers and salesmen relying on spineless techniques that will fall flat in a real buyer's market?

It is the purpose of this article to try to answer these questions, and then to consider the implications for sales management. Attention will be confined to personal selling; that is, selling by salesmen, and specifically outside salesmen rather than retail salesmen in stores. It should not be forgotten, however, that there are obvious parallels in other types of promotional activity, and of course a company's personal selling strategy needs to be coordinated with its advertising program.

Furthermore, without wishing to anticipate the conclusions of this analysis, the author does want to acknowledge that he is chiefly concerned with selling to business buyers, both buyers for resale and industrial purchasers. These businessmen make buying decisions primarily on a rational rather than an emotional basis, and for this reason seem especially suited to low-pressure selling. There is no need, however, to rule out consumers. They too are now tending toward rational buying: Witness the growth of such organizations as Consumers' Research as well as the inauguration of high school instruction in buying as part of domestic science courses and the more realistic attitude of the younger generation in general. Even the brush salesman, who used to be considered the prime example of high-pressure selling, no longer finds it desirable to try to wedge his foot in the door; instead he draws back as the door is opened, smiles courteously at the housewife, hands her a sample brush (or booklet during wartime), and says he will call for the order tomorrow.

As a matter of fact, the overall trend toward more rational buying – hardheaded, discriminating, sophisticated – certainly has some connection with the trend toward low-pressure selling. Sales managers and salesmen have been alert to the change in buying attitudes, have capitalized on it in their selling techniques, and thus in turn have strongly reinforced it.

What Is Low-Pressure Selling?

Perhaps the easiest approach to deciding what low-pressure selling means is first to try to point out what it is not; that is, to define its opposite. Here we have as many definitions to choose from as there are people. Almost everyone who has ever bought anything nods his head when you say "high-pressure selling"; he has a feeling about it. Yet if all those feelings could be translated accurately into words, we might find them surprisingly uniform. Indeed, the factor that makes one kind of selling high-pressure and the other low-pressure may very well be the spirit in which the selling is done rather than anything more definite and concrete.

Some people will tell you, if you press them for a definition, that high-pressure selling means persuading the prospect to buy something that he cannot afford, that is not suited to his needs, that he does not want, and that will leave him dissatisfied after the salesman leaves. But that description, however characteristic, seems to denote the possible results of high-pressure selling rather than its fundamental meaning and purpose. Others call it "bludgeoning the prospect," "sweeping him off his feet," "not giving him time to catch his breath," "bewildering him," even "deceiving him." These phrases, although again they may be justified by the actions of many practitioners of high-pressure selling, seem more to suggest the manner in which such selling is sometimes performed than its fundamental nature.

Perhaps another phrase, "talking the prospect into buying," with the emphasis on "into," comes nearer to expressing what we want. For it simply implies that the prospect – or, by this time, the victim – has not reached the decision to buy through any rational, considered course of his own, but has been driven into it. This basic concept, that high-pressure selling means driving the prospect into a buying decision, fits in with and explains the other manifestations that we mentioned. Naturally, such selling can have the effect of leading a person to buy something not wanted (although it does not need to); and naturally it lends itself to what may be called "strong-arm" methods (although the element of trickery and deceit may be grafted on any kind of selling, including low-pressure selling).

With this concept of high-pressure selling in mind, we can now go on to define low-pressure selling. We want to beware of oversimplification. In actual practice, of course, low-pressure techniques overlap high-pressure techniques or show up in combination with them; what we usually see is merely a difference in the degree of selling pressure. For the purpose of analysis and clearer understanding, however, we need to think of low-pressure selling as something essentially separate and distinct, the veritable opposite of high-pressure selling; and this approach to it will be justified subsequently if our discussion indicates that it does have a meaning and purpose of its own.

Letting the prospect decide for himself. Low-pressure selling, then, is not driving the prospect into a buying decision, but letting him reach the decision himself; not selling him, but letting him buy. Put this way, it sounds simple. But a closer examination immediately raises some serious questions that, unless they can be answered satisfactorily, cast doubt on the long-run desirability of low-pressure techniques.

The very fact that we defined low-pressure selling by saying that it was not high-pressure selling suggests that it is nothing more than a weakening of the degree of selling effort. Indeed, such a suspicion is not without a realistic basis, for there is actual danger that sales managers and salesmen, in turning from previous selling techniques, will not try to replace their obvious all-out effort – which enjoyed a substantial degree of effectiveness if only by reason of its

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aggressiveness – with positive methods of equal or greater effectiveness in the new area of low-pressure selling.

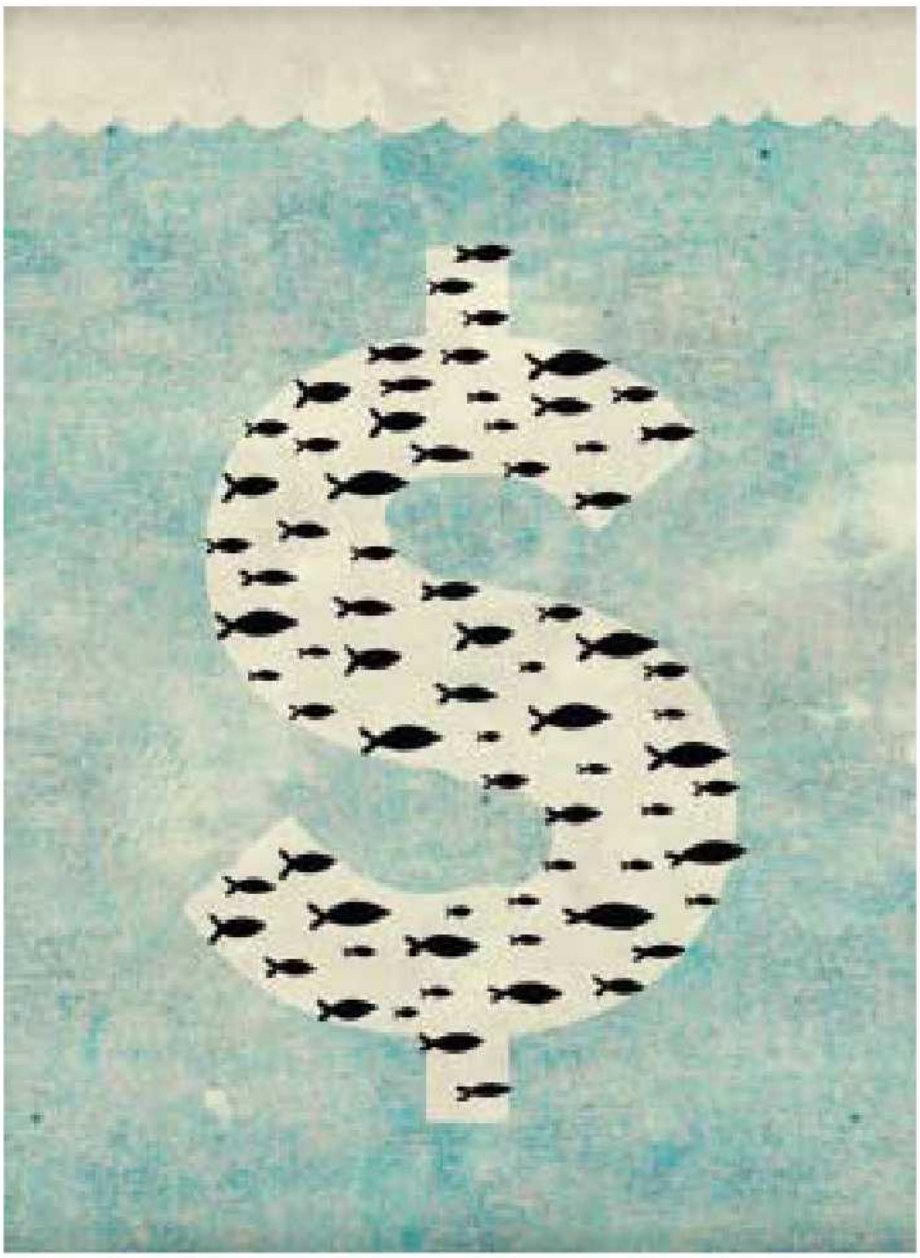
When we say that low-pressure selling means letting the prospect decide for himself, can we possibly mean that there is no attempt at all to influence him? If so, then the buying decision rests entirely on an examination of the relative merits of competing products (or of competing claims on the prospect's money, time, warehouse space, and so on). And if the advantages of the salesman's proposition are presented fairly, that is, accurately, then only the superior product will be bought. But this kind of selling, unless supplemented by positive action of some kind, would not be selling at all. It would be a sort of information service, which would be better handled by an impersonal and objective research organization. From the point of view of individual companies, it would be ineffective except in those rare cases of products with clearly demonstrable superiority. Clearly low-pressure selling has more positive character than that.

In the first place – and this touches directly on a fact that selling trainees find hard to appreciate – no matter how similar competing products may be in price and overall quality, each usually has at least one minor feature, either in the product itself or in the service and terms associated with the product, that is unique and that makes that product more desirable for certain purchasers than the other products. Consequently, the salesman can highlight his own product's particular advantage, still leaving it to the prospect to decide rationally among the advantages of competing products.

In the second place, some kinds of positive action can be employed. Let us continue to assume that the buyer is free to arrive at his decision principally through his own rational thought. Yet even without dramatic devices, fast talking, or any other features associated with the high-pressure approach, there will still be differences in the degree to which the salesman's presentation elicits attention and rouses interest, that is, differences in the effectiveness of selling techniques. Moreover, emotional appeals need not be eliminated entirely, although they must of course be introduced more subtly. In this connection, it may be pointed out that even in the case of large industrial buyers, presumed to be making decisions on a completely rational dollars-and-cents basis, the appeal to vanity can often be employed without spoiling the effect of the low-pressure approach, and very tellingly. Consider, for example, the opportunity to stir up a feeling of pride in plant appearance when the attempt is being made to sell the president of a company a major item of equipment.

But how far can salesmen go in introducing appeals and other stratagems designed to put backbone in their low-pressure techniques and still be true to the idea of letting the prospect reach the buying decision himself?

Need of sincerity. There is the possibility, of course, that low-pressure selling can be used with the intention not so much of actually letting the prospect decide for himself as of making him think the decision is his own; in other words, trying just as hard to induce him to buy but disguising the attempt. Certainly, there is more than a shadow of truth in such a concept. It hardly seems realistic to suppose that the salesman should be any less eager to sell; let us hope that he is not, or the selling is likely to be completely ineffective. Why should not the salesman at least do his



utmost to set a favorable environment for the prospect's decision? Here is plenty of opportunity for selling ability.

At the same time, we ought to doubt whether real low-pressure selling can be based on the out-and-out cynical concept that the salesman is tricking the prospect into buying by pretending that he is not trying to sell at all. This of course raises the question of ethics, which is a very vital question, worth much more thought than it usually receives from sales managers and salesmen. The ordinary way to meet it is to observe that a certain amount of, shall we say, "exaggeration" and "selection of facts" seems to be expected of salesmen, and any buyer who fails to take salesmen's statements and maneuvers with a few grains of salt is considered "fair game." But that is not enough of an answer.

Surely, the spirit that motivates a salesman is significant. Most enlightened sales managers and salesmen, not to mention buyers, would agree that there is a line, real but impossible to draw precisely, between legitimate and illegitimate use (or abuse) of exaggeration, half-truth, and other types of misstatement. On one side is the salesman's normal, expected display of enthusiasm for what he is selling, and on the other side is intention to deceive and mislead. Most enlightened sales managers and salesmen would also agree that the latter should be avoided, not only because it is bad ethics but also because it is bad business. In most lines of selling, and certainly in all lines of selling where reputation and prestige have any continuing value, the feeling is that such action sooner or later comes to light and loses more sales than it ever gained.

As a matter of fact, this disapproval of flagrant deceit – call it good ethics, call it good business, or call it a combination of the two – is an integral part of a definite evolution in the dignity of selling, from the wily peddlers of the past to modern "sales representatives" and "sales engineers." Moreover, it may well be that the trend toward low-pressure selling, considered in its "purest" form, is not so much the revolution that it seems to be as a part of the same long-run development.

In any event, it is clearly possible that low-pressure techniques will defeat their own purposes unless animated by a substantial degree of sincerity. Sooner or later, if buyers get "burned" by lowering their resistance in response to a pretense of fairness and candor, they will begin again to mistrust all sales presentations, and the field will be open to the "slam-bang" methods of yesterday. Furthermore, and entirely apart from the danger of reprisals in the future, there is serious doubt whether the technique can ever be made fully effective unless it actually is carried through with sincerity. There are several reasons for this: (1) It is never easy to keep deceit and insincerity from showing in one's talk and action; it is doubly hard when one is supposed to proceed calmly and deliberately rather than in high-geared fashion. (2) Sincerity is the very crux of low-pressure selling, since the effectiveness of the technique hinges largely on the salesman's appearance of concern for the prospect. If a salesman is to convince a prospect by means of an attitude, then the attitude must be given a convincing demonstration, and that can hardly be done unless the attitude is genuine.

> There is a certain feeling of power in being able to acquire things, entirely apart from any anticipation of enjoying the products or services bought.

With this understanding, then, do we still have any right to say that trying to set a favorable environment for the prospect's decision is compatible with being sincere about letting the prospect decide for himself? But why not? Concern for the prospect provides one of the most effective ways to achieve the desired environment. Developed to its fullest form, such concern becomes what is sometimes called "the customer-problem approach"; and this approach, in turn, is the clearest crystallization of low-pressure selling. Let us look at a specific example of this approach and see how it works.

The customer-problem approach. A company selling hosiery and underwear for men, women, and children, principally to department stores, found the customer-problem approach to be very hard to inculcate in salesmen but very effective when the salesmen gave it a serious try. Although the company's products were of good quality and reasonable price, for each item there was no demonstrable edge over the same items in competitors' lines. However, the company did have a unique feature to talk about: the fact that, because of the unusually diverse line, quite a few different departments of a store could carry the company's brand, which was backed by substantial national advertising.

The executives of the company realized that department stores faced a real problem in their choice between nationally advertised brands and private, or individual, store brands. The former offered the advantage of low customer resistance and quick turnover. The latter, on the other hand, made it possible for a store to realize on the reputation of a brand built up in one department by featuring it in some other department. For instance, a woman who had become convinced of the reliable quality of XYZ hosiery for herself would also be disposed to buy XYZ socks or underwear for her children when she came across them in those departments. The company's unusually diverse line seemed to offer the advantages of both horns of this dilemma, with few or none of the corresponding disadvantages.

In soliciting stores that had not previously been customers, the company's salesmen, like most salesmen, usually came up against the objection that the store already carried more brands of hosiery and underwear than it really should from the standpoint of inventory costs; and, since they all were good brands, well-recognized by consumers, it would only cut profits to add another brand. Such an objection is hard to dispose of, for it has a sound basis, and the salesmen were accustomed to try to dodge it or, when they could not do so, to try to overcome it by talking about the "superior" quality of their brand of products. At the same time, although the salesmen were very successful in holding old customers and increasing the sales volume of accounts already on the books, they were failing to add new customers as fast as the sales manager thought they should.

He therefore urged them to follow this approach: (1) to meet without flinching, or even to introduce deliberately, the question of number of brands being carried by the store, and to encourage the buyer to talk about his problems in keeping inventory down; then (2) to say in effect that the brands already carried were of course good brands (thus flattering the buyer's judgment), just as good indeed as the brand that the salesman was offering; and finally (3) to point out that, even so, the salesman's brand might help to solve the store's problem because it combined the advantages of national advertising and storewide reputation and thus would make it possible for the store to realize more sales, with a lower inventory cost per dollar of sales.

The plan worked. Note some of its points: There are no exaggerated claims about the product's superiority; as a matter of fact, the salesman compliments his competitors' brands. The salesman capitalizes on the one feature that makes his line different from his competitors' lines. There is a subtle appeal to the vanity of the prospect – slight, to be sure, but all the more effective because it is not obvious. The buyer is "opened up" by a question about his problems, a subject dear to his heart and sure to interest him; if it starts him talking, so much the better, for he is likely to give the salesman some good leads for further sales points later in the presentation. And, most important, by offering in effect to help him solve his problems, the salesman has made the buyer feel that he is making his own decision, and making it rationally.

This example should be enough to give a preliminary idea of the way in which sincerity and purposeful effort can be combined in low-pressure selling. Variations will be brought in as illustrations as we go on to discuss the reasons for the apparent effectiveness of low-pressure selling.

Reasons for Effectiveness

It should be emphasized, to begin with, that low-pressure selling is not likely to be effective in equal degree in all kinds of selling and that it naturally needs to be modified to suit particular circumstances. Nevertheless, there appear to be certain basic reasons for its effectiveness.

The element of the unexpected. There seems little doubt that, at least in the earlier stages of their use, low-pressure techniques have been strengthened by the fact that prospects, expecting to be argued into buying, are taken aback and thrown off guard when exposed to a disingenuous approach. Take, for example, the story about the hard-headed businessman who was "poison" to experienced insurance salesmen, yet was "bowled over" completely by the fresh-faced lad who, admitting that he knew absolutely nothing about insurance, said such lack of knowledge didn't matter since the businessman in question was obviously the best judge of what size and kind of policy he ought to have. Of course it turned out to be a very large and expensive one.

There are obvious limitations to the usefulness of this factor. It hardly needs to be pointed out that if every insurance salesman intentionally tried the naive tactics referred to in the story, none of them would succeed. That fact again raises the question whether low-pressure techniques will continue to be effective as they become more and more common. Part of the answer lies in the observation that even now the prospect's surprise is not usually conscious or very extreme, and that in any event it must be supplemented by the salesman's use of positive action. An ever larger part of the answer lies in the soundness of the psychological aspect of low-pressure techniques, which will be discussed in the next section; in other words, there is a sounder basis for effectiveness than that provided by the contrast with an obvious all-out effort to sell. The brush salesman with his new techniques may count on surprise the first time he calls; yet on subsequent calls he continues to operate with increased effectiveness.

At the same time, the element of the unexpected is not to be disregarded entirely. There are many fields where high-pressure techniques continue to be prevalent, and here the contrast provided by low-pressure techniques undoubtedly adds some degree of strength to the selling attempt. This is particularly true of what may be called the "delayed-action approach" and the "indirect approach," both of which lend themselves to low-pressure selling.

Example: Delayed-action approach. The essence of the delayed-action approach is that the obvious effort to secure a formal order is postponed beyond the normally expected time. Clearly, this approach must be used with great care, lest salesmen, too much inclined as it is to avoid coming to grips and closing a sale, are further encouraged to shirk such action out of laziness or timidity. The point must be put across that despite the lengthening of time that salesmen may spend on individual prospects, the purpose of the approach is to increase the number of actual sales for the same expenditure of time and effort, and this does demand decisive action in closing sales at the proper moment. Clearly, too, this approach cannot be used in all types of selling, particularly "one-shot" selling, where the sale must be made on the first call or not at all. Rather, it is best suited for building up a route of customers who will be called on regularly.

Perhaps an example will clarify the strategy of this approach – an example to which the author can testify personally, for it resulted from an experiment he made in opening a new territory for the wholesale grocery business that he at one time owned and operated. A group of approximately 30 retail stores were called on. Fifteen of them (every other one) were approached by the usual techniques, and orders were solicited from the very start. Five stores were sold on the first call, but several of these failed to repeat the second time, and ultimately only four of the 15 became regular customers. With the other 15 stores, however, absolutely no attempt was made to sell the first time; the call consisted only of a pleasant introductory explanation of why the company was expanding its territory, what it had to offer (specialized service rather than better price or better quality), and the remark that the salesman would call again next week. This call was followed up by a letter from the home office, thanking the storekeeper for his courtesy to the salesman and including two or three short sentences about company policy. Then the next week the salesman called again, this time asking for orders. Ten of the 15 stores placed orders, with all ten becoming regular customers.

This delayed-action approach was subsequently used to open other territories, with comparable results. Clearly, it was more productive to postpone trying to get orders beyond the first call, which was the normally expected time. Why? The element of the unexpected undoubtedly played some part: It surprised the prospects and had the effect of making them lower their guard. Also, something was gained by avoiding initial turndowns, for it is often harder to reverse turndowns than it is to get original orders. But probably most important was the simple fact that the approach avoided rousing unnecessary resistance in the prospects, and thus gave free play to the psychological factors discussed immediately below. The same comments could be made about the indirect approach, which will be illustrated subsequently.

People like to buy. This is the fundamental psychological reason for the effectiveness of low-pressure techniques. Assuming for the moment that none of the customary deterrents to buying are present, we can say that the act of buying gives the normal person a sense of pleasure. There is a certain feeling of power in being able to acquire things, entirely apart from any anticipation of enjoying the products or services bought. Buying flatters the ego. Certainly vanity is involved, particularly when a person thinks he is buying wisely and shrewdly, "getting a bargain." Incidentally, in this connection it is worth noting that in organizational shifts of function within business firms one of the powers least readily surrendered is the right to buy. There is also the happy fact that, unless impelled to the contrary, people like to be nice to other people; and if one of the other people happens to be a salesman, the way to be nice is to buy something. Finally, we have the gratification of desires and the anticipation of enjoyment in the case of consumer buying, and the expectation of profit in the case of business buying.

Most sales managers and salesmen do not appreciate the strength of this primary desire to buy. They are inclined to be obsessed by the fact that people do not seem to buy eagerly and without hesitation, and they are accustomed to thinking in terms of prodding people to buy, principally on the merits of the products and services that they sell. Consequently, they do not give enough attention to eliminating the deterrents and thus unleashing the buying urge.

As a matter of fact, there are many reasons why people ordinarily are not ready buyers. Consider, for example, such deterrents as doubt occasioned by conflicting claims on a prospect's limited money, time, interest, space; fear of being sold things not wanted or needed, based on past unfavorable experience with salesmen; caution and hesitation, springing from the desire to be sure of a good bargain; habit, that is, always buying certain products from certain sources – a much stronger deterrent than is usually realized; and so on. All these factors give occasion for "resistance," sometimes conscious but more often unconscious; and the composite result is that the prospect reacts adversely when he thinks he is being sold, being pushed into a decision. Conversely, therefore, to the extent that a prospect can be made to feel that he is reaching his own decision, the buying urge is free to express itself. It is this unleashing of the buying urge that gives such strength to the low-pressure techniques.

Lulling resistance. It should be recognized immediately that the word "resistance," although used in this article because it is a regular part of selling parlance and because there seems to be no suitable substitute, is too general to denote accurately what we mean by it; namely, the emotional state of mind – fear, doubt, caution, or whatever it may be – that in a particular sales situation keeps the prospect from buying as readily as he otherwise would. Excluded from our concept is any "holding off" due to a rational consideration of the wisdom of the purchase. Of course, this emotional state of mind may well be nurtured by actual unfavorable experiences with selling in the past, and it may well be prompted by wholly logical reasons that make it ill-advised or impractical for a prospect to make the specific purchase. Remember, too, that the prospect may tend to rationalize, expressing what are largely emotional reactions solely in terms of logical deterrents to the purchase ("I can't afford to buy"). Nevertheless, there is this, shall we say, disinclination to buy that is primarily emotional and that goes distinctly beyond reflecting the time and effort required to appraise a possible purchase rationally; and that is what we mean by "resistance" in this article.

Low-pressure selling gains effectiveness not only by virtue of the fact that it avoids rousing increased resistance in the way in which high-pressure selling does, but also because, if planned with care, it can exert positive action toward lulling whatever resistance is already present. In this connection, the delayed-action approach should be referred to again. Perhaps a more striking example is the way in which the indirect approach can be adapted to low-pressure selling.

Example: Indirect approach. There are many variations of the indirect approach, but the common characteristic is that the stage is set in such a way as not to stress the imminence of the selling attempt. The idea is that a strong head-on attack is likely to alarm the prospect and cause unnecessary resistance.

An extreme form of the indirect approach, with overtones reminiscent of high-pressure selling, is when the salesman calls in overalls, says he is sent to service a piece of equipment, finds something wrong (not necessarily honestly), and recommends a new purchase. Another variety, perhaps not so far over the borderline of good ethics, is the use of disguised and fancy titles, anything but plain "salesman," to conceal the salesman's business until the last possible moment. Such methods ("tricks" is a better word) are extremely questionable. They obviously cannot be used successfully in any kind of selling that depends on the development of goodwill over a period of time. Furthermore, they ignore one of the basic requisites of effective low-pressure selling: sincerity.

Such an approach, let it be emphasized, cannot have the purpose of trying to take advantage of the customer through a ruse if it is to be considered as genuine low-pressure selling. There should be no idea that the salesman is, so to speak, sneaking up on a prospect, deluding him into thinking that he is not being subjected to a selling attempt, and then getting him to say yes in a moment of false security. That is clearly the opposite of letting the prospect reach the buying decision principally through his own rational thought. Nor are such tactics necessary. There should be no reason to apologize for selling (that is, for the use of persuasion in the exchange of money for goods) either to society as a whole or to an individual prospect in a particular selling attempt. Applied wisely and with good motives, the indirect approach lulls resistance in the sense of decreasing the effect of what after all is largely an emotional attitude unrelated to the question of the merits of the particular purchase.

To be specific about the particular tricks just mentioned, it is the author's contention that, especially in dealing with businessmen, a salesman should divulge his real identity and mission at the very beginning of a sales interview. Such frankness will stand him in good stead. The prospect is difficult to fool, and he knows that his caller is not there just for pleasure or with the altruistic desire to help him somehow at no expense. So the frankness merely admits what the prospect probably already knows or suspects and capitalizes on it by showing that no pretenses are being made. Moreover, such a demonstration of matter-of-fact, straightforward dealing is not inconsistent with making the prospect feel he is reaching the buying decision himself. Indeed, it is more likely to be a positive help in that direction since it is in itself an unspoken argument that the salesman sees no reason for the prospect to show resistance.

Furthermore, and speaking more generally, there are plenty of maneuvers of an indirect type that are perfectly ethical and animated by sincerity – in other words, good examples of low-pressure selling. We can cite, again from the insurance field, the use of an offer to analyze the prospect's insurance needs or to "plan his estate." Many insurance companies do a very thorough and objective job in preparing such analyses, not hesitating to recommend types of insurance that they do not sell or even to approve of competing companies' policies that are similar to their own. If carried out sincerely, and that implies adequate knowledge and care, such an approach is extremely effective in lulling resistance – even though, of course, the prospect knows perfectly well that the ultimate aim of the salesman is to sell him insurance. The author remembers clearly, and still with a warm feeling after the lapse of a good many years, the occasion when an analysis of his "estate" was presented to him with the recommendation that he was carrying enough insurance at the time in relation to what he could afford financially. Needless to say, when subsequently he was in a better position to buy insurance, the salesman who had made the analysis got the business. (It should be noted that in this instance there is also an element of the delayed-action approach.)

Opening the interview by means of a question designed to start the prospect talking belongs in the same general category. It serves the purpose of securing attention and arousing interest; of putting the prospect at ease; and, if the salesman is adroit, of leading the conversation to a point where mention of the product being sold seems to come in almost automatically. A specific instance of this would be where a truck tire salesman, after introducing himself in his true colors, begins by asking the prospect if he has had much trouble with breakdowns along the road. But let it be emphasized: The salesman must be patient; he must have interest, and must be prepared to show interest, in the whole gamut of truck maintenance problems; his inquiry must be backed by both knowledge and sincerity; and he must depend on his own skill in developing the conversation to the proper point.

This particular example of using a question to lead indirectly to the purpose of a sales call and thus lull resistance is tied in with the customer-problem approach. The question technique can be used in other ways, and the customer-problem approach does not need to begin with a question or even to be carried through indirectly; yet the two sets of tactics work well together. Furthermore, as mentioned earlier, the customer-problem approach is the clearest crystallization of low-pressure selling. Because of its comprehensiveness and wholeheartedness, it is the most likely to make the prospect feel he is reaching the buying decision himself and thus requires mention in this discussion of the primary buying urge and how to unleash it for selling purposes.

Focusing on the objective rather than on the details. Particularly if we think of the customer-problem approach, we can see another reason for the effectiveness of low-pressure selling. Because it is based on sincere concern for the prospect, it leads him to the point of buying by setting up an objective toward which his mind moves naturally rather than by trying to work him through all the necessary mental stages one by one. The latter course depends on a degree of preciseness that is hard to achieve. Even if we could be sure that there was a definite sequence of mental reactions through which every prospect should pass as he decides to buy (more complicated, no doubt, than the traditional "attention, interest, desire, conviction"), and even if we knew just what they were, it would be hard to separate them in actual practice, harder to follow the prospect's course through them, and hardest of all to provide the proper stimulus for each of them at just the proper time.

Much sounder and much more fruitful than relying on any such "psychological" analysis of selling is the threefold process implied in the customer-problem approach: (1) What is the customer's need or want? (2) How does my product fit that need or want? (3) How can I best demonstrate the relationship between the two? Such a process has these distinct advantages: (1) It keeps the salesman's mind on one central purpose, yet allows adaptation to individual cases. (2) It suggests the motives that can best be appealed to in making a sale. (3) It does not arouse so much new resistance and may even lull resistance already present. (4) The completed sale leaves the customer satisfied.

In other words, low-pressure techniques gain added effectiveness because they are suited to the actual selling tasks of individual salesmen. In this connection, it should also be mentioned that the bugaboo of salesmen, closing the sale, may actually be easier with low-pressure techniques. To the extent that the prospect is made to feel that he is reaching the buying decision himself, and primarily through a rational process of thought, there is less need of extra push to establish "conviction" in his mind just before the salesman asks for the order. In the author's opinion, this matter of conviction is not generally understood. Being convinced is a state of mind that most buyers need to assume before giving the irretrievable yes to the salesman. It results from a final questioning and justification of the wisdom of the purchase, and as such it is primarily rational – at least more rational than the desire for the product, which may have been built up by the salesman largely on the basis of emotions. Therefore, in high-pressure selling with heavy emotional appeals there is likely to be something a little different and a little extra that must be added to the prospect's thinking at the next-to-last minute. In low-pressure selling, on the other hand, much of this last obstacle to the buying decision will often have been disposed of gradually as the sales presentation proceeds, and the prospect is already in the rational frame of mind to accept conviction – or even better, to convince himself.

Special circumstances. Most of the observations made up to this point are applicable to low-pressure selling in general. From the various illustrations used, however, it should be evident that certain situations lend themselves better to such selling than do others. For the benefit of those who wish to consider specific selling jobs, let us try to draw together some of the determining factors. (1) Whenever continuing goodwill is at stake, as would be the case in building up a route where calls will be made with relative frequency, then the "friendliness" of low-pressure selling will be an aid. (2) Whenever specialized knowledge is of value to customers, such as technical help or market information, then the customer's feeling of confidence in the salesman and his company, engendered by low-pressure techniques, will facilitate sales. (3) Whenever the purchases involved are of more than ordinary significance to prospects, in dollars and cents or otherwise, then the feeling of having arrived at a well-considered decision will often be the affirmative factor. (4) Whenever the buyer intends to use the product or service for business purposes, such as resale for profit or use in industrial production, then the opportunity to apply rational judgment will reinforce the desirability of the purchase. The list does not pretend to be complete. Moreover, there are plenty of selling situations where, even without such special favoring circumstances, low-pressure selling will still outpull high-pressure techniques. After all, low-pressure selling owes its effectiveness to the fact that it is based on human nature.

What about the influence of different economic conditions on the effectiveness of low-pressure techniques? More specifically, are they likely to lose some of their strength in periods when buyers are balky? On the contrary, they should be stronger since then there is all the more need to lull the resistance of those who feel they must make their buying decisions with greater wariness and objectivity of judgment. All in all, the conclusion is justified that low-pressure selling has a tremendous potential of effectiveness – great enough, in the author's judgment, to provide the measure of difference between success and failure in our postwar plans for increased distribution of goods. Certainly low-pressure selling, particularly in the form of the customer-problem approach, is pointed in the right direction, toward the satisfaction of the economic needs and wants of ultimate consumers, which from the point of view of society is the only long-run justifiable end of both production and distribution. Furthermore, while like all selling effort it involves expenditure of money to persuade people to buy (the inevitable counterpart of purchasers' freedom to buy when, where, and what they will), this particular type of selling does add validity to the idea that the costs of distribution that society bears, although not showing up as tangible values in products, are justified by intangible services rendered to the economy; and at the same time, it may help to reduce these costs through its greater effectiveness.

Whether its potential can be realized, however, depends on whether sales managers are willing to tackle the increased problems of selection and training of salesmen.

Implications for Sales Management

It was mentioned earlier that low-pressure selling runs the danger of being ineffectual unless the absence of high pressure is compensated for by positive effort. It should be clear by now that more is required of salesmen using this technique than merely being pleasant – although it is important here, certainly more important than in high-pressure selling, that the salesmen's personal habits and manners create a favorable impression with prospects, since so much is staked on not arousing resistance. It should also be clear by now that more is required of salesmen than a series of soft and subtle little stratagems to replace their old exaggerated claims and emotional appeals; they must utilize something strong and purposeful, like the customer-problem approach.

All this puts a heavy burden on sales management in the selection and training of salesmen. This task is both more important and more difficult with low-pressure selling. Low-pressure selling may have some of the powers of the magic lamp, but it takes a good deal of hard rubbing to produce the jinni. For the purpose of this article it will have to suffice to mention the management problems raised by low-pressure selling and to indicate the general direction in which solutions must be sought. As a matter of fact, the nature of low-pressure selling is so flexible that most specific problems have to be handled in terms of individual companies.

People like to be nice to other people; and if one of the other people happens to be a salesman, the way to be nice is to buy something.

Selection of salesmen. A different type of salesman is needed. No attempt can be made here to specify his qualifications since there are so many factors to be weighed and taken into account in individual selling jobs, but the general outline indicates a decided departure from the hail-fellow-well-met, back-slapping, storytelling, loud-laughing type of the traveling salesman and farmer's daughter era. Indeed, many sales managers have already found that the ambivert or even the near-introvert is likely to be more successful than the extrovert.

Above all, a more intelligent type is needed for low-pressure selling. A normal man will not find it unnatural or difficult to assume the habit of thinking in terms of his customers' problems, but he will have to do a greater amount of more subtle thinking – adapting to individual cases and swinging sales on finer points. Certainly he cannot operate by rote and ritual.

Clearly, it will take more care and effort to select such men. There is no point here in going into the controversial subject of how prospective employees can best be appraised, but it will do no harm to point out that in this case the qualities sought may not be readily apparent, and that a well-planned system of detailed application forms, multiple interviews, and psychological testing seems indispensable.

Training of salesmen. It is relatively easy to teach high-pressure techniques. Because the essence of that approach is that the prospect submits to something imposed on him from without, it is possible to standardize the sales presentation – to formulate it in the home office and show the salesmen how to do it. The opposite is the case with low-pressure selling. Although of course something can be prepared in the way of suggested openings, possible answers to objections, and so on, any hint of a "canned" sales talk, learned and repeated from memory, will ruin a low-pressure approach completely.

Two principal duties devolve on the sales manager who would have his salesmen do effective low-pressure selling. In the first place, he must give them knowledge about the company's products and policies and about the customers' needs and ways of doing business. He must give them everything he can think of and then encourage them to come back at him with questions and requests for additional information. Such knowledge will give a feeling of confidence to the salesmen – and to the prospect too, when he sees it in evidence. Such knowledge is indispensable for low-pressure selling in general and the customer-problem approach in particular.

In the second place, the sales manager must train his salesmen to think – to think about their customers' individual needs and wants and how the company's products can fit those needs and wants. This is no easy task. How can it be accomplished? The author knows of no way that has ever been successful in training the ordinary run of human beings to think except by making them practice it in group discussions. For our present purpose, this would mean analyzing and arguing example after example of pertinent problems, preferably drawn from the actual experiences of salesmen in the field. Perhaps some of the new developments in visual education will be helpful in this connection, particularly the use of specially made movie shorts. There is no surer way of putting problems across than to present them in a form as close as possible to that in which they actually occur, and the greater vividness and realism thereby secured will stimulate the ensuing thinking and discussion.

Leadership. There is the further question of how salesmen can be controlled and directed in the field so that they will make the best use of low-pressure techniques. Several areas for possible action suggest themselves. Salesmen's reports can be used with this end in view; perhaps one report should be designed with no other purpose than to highlight the importance that management attaches to results other than immediate sales. Some of the sales meetings can be devoted exclusively to analysis of customers' needs. In this and other ways, relations between salesmen and their supervisors can be made more direct and intimate.

Certainly, too, there must be a logical tie-in with the plan for compensating salesmen. Of course, no sales manager can expect that he will ever have a perfect compensation plan, since inevitably it will be a compromise between objectives that are by nature contradictory. With low-pressure selling it is especially difficult to strike a balance between (1) stability and assurance of income, characteristic of straight salary, which make it easier for a salesman to engage in action not necessarily productive of immediate sales and to plan on the course that will bring in more sales and sounder sales in the long run, and (2) strong incentives, like commissions, which are useful in keeping a salesman at the peak of his effort yet may encourage him in a tendency to think only in terms of quick sales. Obviously, with low-pressure selling there is both more need of developing the long-run view and more danger of encouraging relaxation of effort; both objectives of the compensation plan become more important! However, in general it can be said that the logic of low-pressure selling points away from any emphasis on automatic incentive features – and indicates a bigger role for the sales manager, who must use other means to keep each salesman working to the best of his ability.

Above all, the sales manager must take extraordinary precautions to avoid some of the dangerous situations that might otherwise arise in connection with low-pressure techniques. He must make sure that the salesman, put more on his own and deprived of standardized props, does not flounder. He must make sure that the salesman does not "go with the wind"–hoping sales will develop rather than planning and working for them. He must make sure that the salesman does not take refuge by going over so completely to the customer's point of view that he neglects his primary function of selling the company's products.

To carry through this difficult assignment requires leadership and exercise of teaching ability. For it is harder to "drive" salesmen when the selling activity itself seems to have a slower tempo, and no automatic devices can do the trick.

Yet if the sales manager can succeed in educating his salesmen, and continually re-educating them, to the fact that low-pressure selling does demand as much positive, purposeful, planned action as high-pressure selling – and indeed more, in the sense that it must be deployed with greater skill and must have more effect for the same amount of obvious exertion – then low-pressure selling will actually bring higher productivity in relation to the time and effort spent. Furthermore, because the field is difficult, the rewards for superiority will be greater.

As mentioned before, the burden on sales management is heavy. But it is a burden that will reward those who take it up, for low-pressure selling, wisely used, can be the tool to increase sales. And let it not be forgotten that management has the clear responsibility of seeing that effective selling does accelerate the distribution of goods – with personal selling, judged by the portion of the sales dollar that goes to it, still the most important aspect of distribution. If that responsibility is shirked, not only will individual companies fall behind in the bitter competitive struggle that probably lies ahead, but the whole country's hope for a more productive economy will end in disillusion.

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There is little that the author cares to add at this point. He would like, however, to cover himself for some of the exaggerated statements and overdrawn distinctions he has made. Nothing is quite so black or white as he often has tried to make it look. For example, he has failed to say explicitly that there are bound to be selling situations where a judicious admixture of high-pressure techniques can be employed effectively and without harm to either the customers or the salesman's company. Even worse, he has talked as if most selling were soliciting new customers, whereas actually the bulk of selling activity consists of calling on old customers. Nevertheless, here too most of the observations made in the article apply, since the task of keeping old customers in line and increasing the size of their orders is still selling. As a matter of fact, it is this field that lends itself best to low-pressure selling, and it is here that many of the low-pressure techniques originated many years ago.

A further note of humility is also in place, on behalf of all salesmen as well as the author. One should never be dogmatic about selling. It is too closely related to the bewildering variousness of human nature – and this, again, is one of the reasons why low-pressure selling, with its flexibility and adaptability, is both more effective and more fun. What more appropriate conclusion to this article could there be, then, than the following story, which has always struck the author as a perfect illustration of (1) why never to be sure about what will happen in selling and (2) the dangers of not using the customer-problem approach? Let him tell it in the first person, since he played the central, if not heroic, role:

I had bought a carload of peas from a well-known canner that were slightly substandard – in other words, a little wrinkled and tough – and that the canner was not willing to pack under his regular brand. At that time, nationally advertised brands of peas were selling at about $2.25 a case; unadvertised but reasonably good brands were selling at $1.95. I had bought these peas so that, if I could turn them over fast, a price of $1.60 a case was satisfactory. I had a customer out in the country, a successful grocer accustomed to buying in large quantities, who I thought might be a good prospect. After figuring out how I could best approach him and deciding to stake everything on the price appeal, I got in my car and went out to call on him.

When I came into his store, I left the sample can of peas that I had brought with me in the car. As soon as he was free, I started to work with a price of $1.90 (thinking to myself that anything I could get above $1.60 would be "gravy"). Of course, the first question he asked me was, "Where is your sample?" So rather reluctantly, protesting that the name of the canner should be enough for him, I went out to my car to get it. We opened the can; he tasted a few, rolling them around in his mouth in a sort of judicious way, then chewing them rather deliberately. I said, "Pretty good, aren't they?" He countered, "Sort of tough, aren't they?" I said, "Well, not really; and at that price they are a bargain" – or words to that effect. After almost an hour of haggling, we had reached the point where he wouldn't go any higher than $1.60 and I wouldn't go any lower than $1.65. So I sold the carload to him at $1.625 a case – a whole 2.5 cents above the minimum price I had set myself.

And I felt pretty good about my sale. That is, I felt pretty good until he turned toward me, and smiled, and said, "You know, you made a bad mistake. I would have been glad to pay a premium for those peas instead of getting them for a bargain. I have been looking for peas exactly like that for a long time. The farmers that live around here like to cook their peas for a couple of hours, and most of the canned peas you get these days fall apart if you cook them that long."

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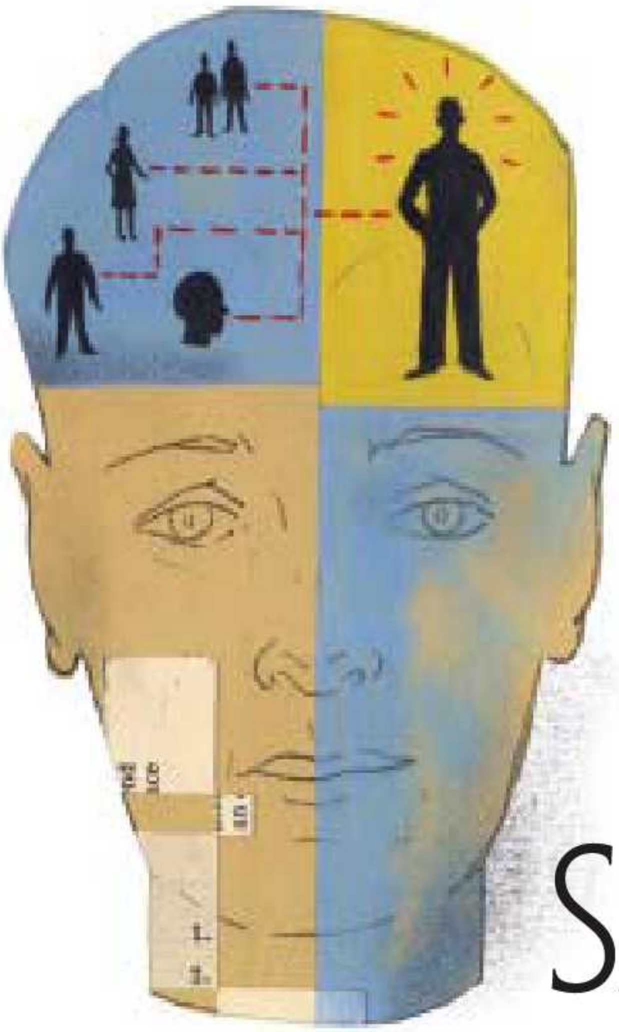
To order, see page 191.

BY DAVID MAYER AND HERBERT M. GREENBERG



WHAT MAKES A GOOD SALESMAN

Before they have received even a day of training, the best salespeople already have two seemingly incompatible qualities in abundance: empathy with customers and a need to overcome their hesitation to buy.

MORE THAN 35 YEARS AGO, the insurance industry embarked on an intensive program to solve the problem of costly, wasteful turnover among its agents. Estimates at that time indicated that there was a turnover of better than 50% within the first year and almost 80% within the first three years. After the expenditure of millions of dollars and 35 years of research, the turnover in the insurance industry remains approximately 50% within the first year and 80% within the first three years.

What is the cost of this turnover? Nearly incalculable. Consider:

- the substantial sums paid new salesmen as salary, draw on commission, expense accounts, and so on, which are wasted when those salesmen fail to sell;
- the staggering company costs, in time, money, and energy, of recruiting, selecting, training, and supervising men who inherently do not have the ability to succeed; and
- the vast costs caused by lost sales, dropouts, reduced company reputation,

LEIGH WELLS

poor morale, permanently burned territory, and the like.

What accounts for this expensive inefficiency? Basically this: Companies have simply not known what makes one man able to sell and another not. As Robert N. McMurry has observed:

> A very high proportion of those engaged in selling cannot sell....If American sales efficiency is to be maximized and the appalling waste of money and manpower which exists today is to be minimized, a constructive analysis must be made of what selling really is and how its effectiveness can be enhanced....We must look a good deal further – into the mysteries of personality and psychology – if we want real answers.[1]

It was the obvious need for a better method of sales selection that led us to embark on seven years of field research in this area. The article that follows is based on the insights we gained as to the basic characteristics necessary for a salesman to be able to sell successfully. Confirming the fact that we are on the right track is the predictive power of the selection instrument (battery of tests) that we developed out of the same research; see the exhibit "How Well an Instrument Measuring Empathy and Ego Drive Predicted Sales Success."

Two Essentials

Our basic theory is that a good salesman must have at least two basic qualities: empathy and ego drive.

Ability to feel. *Empathy,* the important central ability to feel as the other fellow does in order to be able to sell him a product or service, must be possessed in large measure. Having empathy does not necessarily mean being sympathetic. One can know what the other fellow feels without agreeing with that feeling. But a salesman simply cannot sell well without the invaluable and irreplaceable ability to get a powerful feedback from the client through empathy.

A parallel might be drawn in this connection between the old antiaircraft weapons and the new heat-attracted missiles. With the old type of ballistic weapon, the gunner would take aim at an airplane, correcting as best he could for windage and driftage, and then fire. If the shell missed by just a few inches because of a slight error in calculation or because the plane took evasive action, the miss might just as well have been by hundreds of yards for all the good it did.

This is the salesman with poor empathy. He aims at the target as best he can and proceeds along his sales track; but if his target – the customer – fails to perform as predicted, the sale is missed.

On the other hand, the new missiles, if they are anywhere near the target, become attracted to the heat of the target's engine, and regardless of its evasive action, they finally home in and hit their mark.

This is the salesman with good empathy. He senses the reactions of the customer and is able to adjust to these reactions. He is not simply bound by a prepared sales track, but he functions in terms of the real interaction between himself and the customer. Sensing what the customer is feeling, he is able to change pace, double back on his track, and make whatever creative modifications might be necessary to home in on the target and close the sale.

Need to conquer. The second of the basic qualities absolutely needed by a good salesman is a particular kind of *ego drive* that makes him want and need to make the sale in a personal or ego way, not merely for the money to be gained. His feeling must be that he *has* to make the sale; the customer is there to help him fulfill his personal need. In effect, to the top salesman, the sale – the conquest – provides a powerful means of enhancing his ego. His self-picture improves dramatically by virtue of conquest and diminishes with failure.

Because of the nature of all selling, the salesman will fail to sell more often than he will succeed. Thus, since failure tends to diminish his self-picture, his ego cannot be so weak that the poor self-picture continues for too long a time. Rather, the failure must act as a trigger – as a motivation toward greater efforts – that with success will bring the ego enhancement he seeks. A subtle balance must be found between (a) an ego partially weakened in precisely the right way to need a great deal of enhancement (the sale) and (b) an ego sufficiently strong to be motivated by failure but not to be shattered by it.

The salesman's empathy, coupled with his intense ego drive, enables him to home in on the target effectively and make the sale. He has the drive, the need to make the sale, and his empathy gives him the connecting tool with which to do it.

Synergistic Effects

In this discussion of the relationship of empathy and ego drive to successful selling, we will treat these dynamic factors as separate characteristics. Indeed, they are separate in that someone can have a great deal of empathy and any level of ego drive – extremely strong to extremely weak. Someone with poor empathy can also have any level of ego drive. Yet, as determinants of sales ability, empathy and ego drive act on and, in fact, reinforce each other.

The person with strong ego drive has maximum motivation to fully utilize whatever empathy he possesses. Needing the sale, he is not likely to let his empathy spill over and become sympathy. His ego need for the conquest is not likely to allow him to side with the customer; instead, it spurs him on to use his knowledge of the customer fully to make the sale.

On the other hand, the person with little or no ego drive is hardly likely to use his empathy in a persuasive manner. He understands people and may know perfectly well what things he might say to close the sale effectively, but his understanding is apt to become sympathy. If he does not need the conquest, his very knowledge of the real needs of the

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How Well an Instrument Measuring Empathy and Ego Drive Predicted Sales Success

Number of men predicted for each group*		Data at end of (months)	Actual sales performance (number of men who reached each quarter of sales force) — Top half: Top/quarter	Top half: 2nd/quarter	Bottom half: 3rd/quarter	Bottom half: Bottom/quarter	Quit or fired
		IN THE RETAIL AUTOMOBILE INDUSTRY					
A	34	6 mos.	17	13	1	0	3
		18	19	9	0	0	6
B	49	6	9	23	8	2	7
		18	10	19	8	0	12
C	60	6	0	9	20	14	17
		18	0	2	21	8	29
D	52	6	0	0	10	18	24
		18	0	0	9	7	36
		IN THE INSURANCE INDUSTRY					
A	22	6 mos.	13	4	1	0	4
		14	13	4	0	0	5
B	55	6	7	23	11	2	12
		14	11	20	7	1	16
C	56	6	1	5	19	12	19
		14	1	4	11	5	35
D	48	6	0	0	4	10	34
		14	0	0	3	4	41
		IN THE MUTUAL FUNDS INDUSTRY					
A	11	6 mos.	5	4	1	0	1
B	20	6	4	9	3	0	4
C	49	6	0	4	15	12	18
D	34	6	0	1	7	10	16

* Predictions made on basis of test, without seeing men or any records:

A means outstanding, top potential as a salesman, almost certain to succeed with high productivity.

B means recommended, good productivity, and can sometimes be designated as developable into an *A*.

C means not recommended, even though a *C* can under the right circumstances edge into becoming a low *B*.

D means absolutely not recommended; the applicant concerned has virtually no possibility of success.

potential customer may tell him that the customer in fact should not buy. Since he does not need the sale in an inner personal sense, he then may not persuade the customer to buy. So we frequently say in our evaluations of potential salesmen, "This man has fine empathy, but he is not likely to use it persuasively – he will not use it to close."

Thus, there is a dynamic relationship between empathy and ego drive. It takes a combination of the two, each working to reinforce the other – each enabling the other to be fully utilized – to make the successful salesman.

Need for balance. It calls for a very special, balanced ego to need the sale intensely and yet allow the salesman to look closely at the customer and fully benefit from an empathic perception of the customer's reactions and needs.

Thus, there are a number of possible permutations of empathy and drive. A man may have a high degree of both empathy and drive (*ED*), or little of either (*ed*), or two kinds of combinations in between (*Ed* and *eD*). For example:

ED–A salesman who has a great deal of both empathy and strong inner sales drive will be at or near the top of the sales force.

Ed – A salesman with fine empathy but too little drive may be a splendid person but will be unable to close his deals effectively. This is the "nice guy." Everyone likes him, and from all appearances he should turn out to be one of the best men on the force. He somehow "doesn't make it." People end up liking him but buying from the company down the street. He is often hired because he does have such fine personal qualities. Yet his closing ability is weak. He will get along with the customer, understand him, and bring him near the close; but he does not have that inner hunger to move the customer that final one foot to the actual sale. It is this last element of the sale–the close–that empathy alone cannot achieve and where the assertive quality of ego drive becomes the all-important essential.

eD–A salesman with much drive but too little empathy will bulldoze his way through to some sales, but he will miss a great many and will hurt his employer through his lack of understanding of people.

ed–A salesman without much empathy or drive should not actually be a salesman, although a great many present salesmen fall into this group. An employer would avoid much grief by finding this out in advance, before so much effort is spent in trying to hire, train, and spoon-feed a man who does not have within him the basic dynamics to be successful.

Failure of Tests

Since the selection of top salesmen is potentially of such enormous value, why, it might be asked, has there been so little success to date in developing methods to preselect effectively?

For at least 50 years, psychologists have been working very hard in the area of testing. Almost every aspect of human personality, behavior, attitude, and ability has at one time or another come under the scrutiny of the tester. There have been some notable successes in testing, most especially perhaps in the IQ and mechanical-ability areas. Of late, personality testing, especially with the increasing use of projective techniques, has gained a certain level of sophistication. The area which has been to date most barren of real scientific success has been aptitude testing, where the aptitude consists of personality dynamics rather than simple mechanical abilities.

Many psychological tests screen out the really top producers because of their creativity, impulsiveness, or originality–characteristics that most tests downgrade as strangeness or weakness.

Four reasons. The ability to sell, an exceedingly human and totally nonmechanical aptitude, has resisted attempts to measure it effectively. The reasons for this failure up until now are many, but there appear to be four basic causes for sales aptitude test failure.

1. Tests have been looking for interest, not ability. The concept that a man's interest is equatable to his ability is perhaps the single largest cause of test failure. Thus, tests have been developed through asking questions of successful salesmen or successful people in other fields, with the assumption that if an applicant expresses the same kind of interest pattern as an established salesman, he too will be a successful salesman.

This assumption is wrong on its face. Psychologically, interest does not equal aptitude. Even if someone is interested in exactly the same specific things as Mickey Mantle or Willie Mays, this of course does not in any way indicate the possession of a similar baseball skill. Equally, the fact that an individual might have the same interest pattern as a successful salesman does not mean that he can sell. Even if he wants to sell, it does not mean that he *can* sell.

2. Tests have been eminently "fakable." When an individual is applying for a job, he obviously will attempt to tell the potential employer whatever he thinks the employer wants to hear. Given a certain amount of intelligence, the applicant will know that he should say he would "rather be a salesman than a librarian," regardless of his real preference. He knows that he should say he would "rather be with people than at home reading a good book," that he "prefers talking to a PTA group to listening to good music," or that he would "rather lead a group discussion than be a forest ranger."

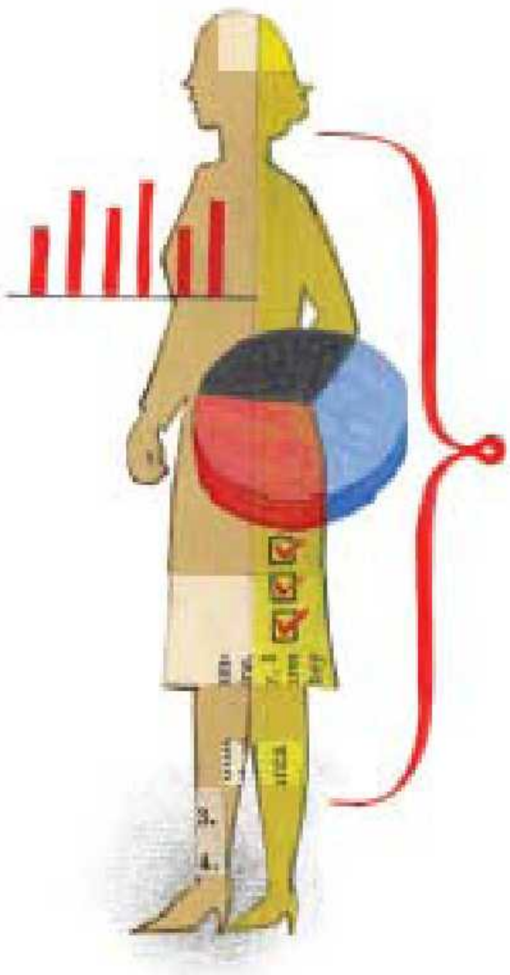
There are manuals on the market on how to beat sales aptitude tests, but, even without such a manual, the average intelligent person can quickly see what is sought and then give the tester what the tester wants. Thus, the tests may simply succeed in negatively screening those who are so unintelligent that they are unable to see the particular response pattern sought. In other words, since they are too dull to fake, they may be screened out. The perceptive interviewer, however, is likely to notice this kind of stupidity even more quickly than the tests do, and he can probably do a better job of this negative screening than the average fakable test.

3. Tests have favored group conformity, not individual creativity. Recent critics of psychological testing decry the testers who are seeking conformity and the standardized ways in which they judge applicants for sales and other occupations. This criticism is all too valid. The creative thinker, the impulsive free spirit, the original, imaginative, hard-driving individual is often screened out by tests that demand rigid adherence to convention–an adherence, in fact, that borders on a passive acceptance of authority, a fear of anything that might in any way upset the applecart of bureaucratic order. Paradoxically, this fearful, cautious, authoritarian conformist, although he might make a good civil servant, or even a fair controller or paperwork administrative executive, would never make a successful salesman.

Many of these tests not only fail to select good salesmen, but they may actually screen out the really top producers because of their creativity, impulsiveness, or originality – characteristics that most tests downgrade as strangeness or weakness. We discovered a situation of this type recently in working with a client: A company in the Southwest embarked on an intensive recruiting effort for salesmen. We began receiving the tests of a number of applicants. These tests all appeared to follow a certain pattern. The men were not quite recommendable, and all for about the same reason–a definite lack of ego drive. For the most part, they had some empathy, and without exception they had good verbal ability, but none had the intense inner need for the sale that we look for in a productive salesman.

After about 20 such tests came through our office, we questioned the sales manager as to what criteria he was using for screening the men who took the test. We found that before he gave the applicants our test, he had them take the sales aptitude test that had been developed by his company some years before. Those men who scored high on that test were given our test.

We had previously analyzed that company's test and found it to be a fairly good verbal abilities measure, and to some extent a measure of intelligence and insight. Men with strong ego drive could not as a rule score near the top of that test. And so the very men with the quality we were seeking–strong ego drive – were actually screened out. We then asked the sales manager not to use that test but to screen only for credit reference and general appearance, and



to give our test to those who passed this simple screening. After that we began seeing the expected number of "A" and "B" recommendable applicants – about one man in every five.

4. Tests have tried to isolate fractional traits rather than to reveal the whole dynamics of the man. Most personality and aptitude tests are totally traitological in their construction and approach. They see personality as a series or "bundle" of piecemeal traits. Thus, someone may be high in "sociability" while being low in "self-sufficiency" and "dominance." Someone else may be high in "personal relations" but low in "cooperativeness." Somehow, the whole (or the gestalt) gets lost. The dynamic interaction that is personality, as viewed by most modern-day psychologists, is buried in a series of fractionalized, mathematically separable traits.

Thus, it is said that the salesman, somewhat like the Boy Scout, should be very "sociable," "dominant," "friendly," "responsible," "honest," and "loyal." The totality – the dynamics within the person that will permit him to sell successfully – is really lost sight of. Clearly, someone may be "sociable," "responsible," and so on, but still be a very poor salesman.

In our research we attempted to bypass traits and to go directly to the central dynamisms that we believed were basic to sales ability: empathy and ego drive. By seeking these deeper, more central, characteristics, we immediately reduced the possibility of faking, since the respondent would find it extremely difficult to determine what *in fact* was being sought. Needless to say, the importance of interest as a variable has been reduced sharply, and the conformity factor has been completely subordinated to the basic central characteristics being measured. Thus, rather than starting with the question, "How do salesmen collectively answer certain items?" we began with the question, "What makes a really fine salesman?" and then, "How do you discover these human characteristics?"

This use of central dynamics rather than traits, with its corollary implications, has produced what we believe to be a positive method of predicting sales success that is advanced beyond what has been done to date.

Fallacy of Experience

Many sales executives feel that the type of selling in their industry (and even in their particular company) is somehow completely special and unique. This is true to an extent. There is no question that a data-processing equipment salesman needs somewhat different training and background than does an automobile salesman. Differences in requirements are obvious, and whether or not the applicant meets the special qualifications for a particular job can easily be seen in the applicant's biography or readily measured. What is not so easily seen, however, are the basic sales dynamics we have been discussing, which permit an individual to sell successfully, almost regardless of what he is selling.

To date, we have gained experience with more than 7,000 salesmen of tangibles as well as intangibles, in wholesale as well as retail selling, big-ticket and little-ticket items. And the dynamics of success remain approximately the same in all cases. Sales ability is fundamental, more so than the product being sold. Long before he comes to know the product, mostly during his childhood and growing-up experience, the future successful salesman is developing the human qualities essential for selling. Thus, when emphasis is placed on experience, and experience counts more than such essentials as empathy and drive, what is accomplished can only be called the *inbreeding of mediocrity*.

We have found that the experienced person who is pirated from a competitor is most often piratable simply because he is not succeeding well with that competitor. He feels that somehow he can magically do better with the new company. This is rarely true. He remains what he is, mediocre, or worse. What companies need is a greater willingness to seek individuals with basic sales potential in the general marketplace. Experience is more or less easily gained, but real sales ability is not at all so easily gained.

Among butchers, coal miners, steelworkers, and even the unemployed there are many – perhaps *one in ten* – who, whether they themselves know it or not, possess the ability to be an A, top-producing salesman; and at least one in five would be on a B or better level for most types of selling. Many of these are potentially far better salesmen than some who have accumulated many years of experience. The case of "Big Jim," as we shall call him, is a good example: All we knew about Jim at first was that he had walked into the showroom of one of our automobile clients in response to its ad and had taken our test. We reported that he was the only A in the group, and strongly recommended that he be hired. There was shocked silence at the other end of the telephone. We were then told that his test had been included as a joke.

As it was described to us, he had ambled into the showroom one morning wearing dungarees, an old polo shirt, and sneakers. He had then gone on to proclaim, "I sure do hanker to sell them there cars." The dealer had included his test just to get a laugh, or perhaps to see if we were sufficiently alert to weed him out. The man had never sold a car or anything else in his life and had neither the appearance nor the background that would indicate that he ever could sell anything.

Long before he comes to know the product, mostly during his childhood and growing-up experience, the future successful salesman is developing the human qualities essential for selling.

Today he is one of the dealer's best salesmen. Soon after he started working, he "hankered to see that there Seattle World's Fair" and sold enough cars in the first week of the month to give him money to get there and spend two weeks. On his return he made enough money in the last week of the month to equal the staff's monthly average.

Obviously, most men down from the hills wearing dungarees and sneakers are not going to be top salesmen. Some, however, may be, and their lack of experience in no way reduces the possibility that they have the inner dynamics of which fine top producers are made. It is equally obvious that a great many men who present a fine appearance, a "good front," do not turn out to be top salesmen. The real question – and always the first question – is, "Does this man have the basic inner dynamics to sell successfully?"

Background blindness. Putting emphasis on experience often works in another way to reduce sales effectiveness. A company grows used to seeing its men in various job "slots," in certain departments, limited to special kinds of experience. Such men may be doing a satisfactory job where they are. But it frequently happens that the blind habit of "special experience" has kept the company from using the man in a more effective and appropriate way. For instance: A western company in the leasing business wanted us to evaluate a branch employing 42 men to determine why there had been a mediocre level of sales activity, why there had been some difficulties among the men, and whether some of the 42 should possibly be let go. After looking at the test of each person, we did an "X-ray" of the branch; that is, following the table of organization, we evaluated the staff, department by department, especially in terms of who was working with, over, and under whom, pointing out the strengths and weaknesses of each department.

Virtually all the men on the staff were found to be worth keeping on, but a good third were suggested for job shifts to other departments. Thus, the person with greatest sales ability, together with a great deal of managerial ability (by no means the same thing), was found in the accounting department. But that job did not completely satisfy him. He has since become the new branch sales manager, a more appropriate use of his considerable abilities.

One of the older men, though rated an adequate B salesman, was evaluated as an A office manager. He had good empathy, but not the strongest ego drive, which was why he was a B rather than an A salesman. But on the managerial side, he had the ability to handle details, relatively rare for a salesperson; he was able to delegate authority and make decisions fairly rapidly and well. These qualities, plus his good empathy, gave him excellent potential as a manager, but not as sales manager, for his only moderate drive would have hurt him in the latter position. As office administrative manager, the position he was moved up into, he has performed solidly.

The former office administrative manager, a man well able to handle details reliably and responsibly, but with little empathy (and thus unable to deal understandingly with his office staff), was moved laterally into the accounting department, an area in which he had had some previous experience, and where he could carefully deal with and manage details rather than people.

Thus, what counts more than experience is the man's basic inner abilities. Each present employee, as well as each new applicant, should be placed in the area where he can be most creative and productive.

Role of Training

The steelworker, the coal miner, the displaced textile worker, or for that matter even "Big Jim," regardless of how much real sales ability each possesses, cannot suddenly start selling insurance, mutual funds, electronics equipment, or automobiles. Each one will need training. Companies have spent very large sums of money in developing effective training programs. When they are working with a man with potential, these training programs can and do bring out this potential and develop an excellent salesman. Without sound training, even A-level salesmen are seriously limited.

Yet how often have men gone through long and expensive training programs only to fail totally when put out into the field? When this happens, the trainer, and perhaps the training program itself, is blamed and sometimes even discarded. But most often it is neither the trainer nor the training program that is at fault; rather, it is the fact that they were given the impossible task of turning a sow's ear into a silk purse. The most skilled diamond polisher, given a piece of coal, can only succeed in creating a highly polished piece of coal; but given the roughest type of uncut diamond, he can indeed turn it into the most precious stone. Here is a case in point: About three years ago, a company in the Northeast installed an especially fine training program, in which a great deal of money was invested. At the end of two years, the results of this program were appraised. It was found that sales had not increased beyond what might normally be expected in that industry during that period of time. The investment in the training program seemed to have been a total waste. The entire training program was therefore dropped. Six months later, we were asked by management to test and evaluate the present sales force and to try to determine why the training program, so highly recommended, had failed so badly.

The reason was immediately apparent. Out of a sales force of 18 men, there was only one rating A, and his sales actually had improved after the training program. Two others were B-level salesmen, and they too had improved to some extent with training. The remaining 15 men were "C" and "D" salesmen who should not have been selling in the first place. They simply did not have the potential of good salespeople. They were rigid, opinionated, and for the most part seriously lacking in empathy. This type of man rarely responds to training, no matter how thoroughgoing the program. This was an obvious case of trying to make silk purses out of 15 assorted sow's ears.

The role of training is clear. It is vital. In today's highly competitive market it is most important to bring every employee up to his maximum potential of productivity. Efficiency in training, using the best of modern methods, is necessary to do this. But training can succeed only if selection succeeds. Good raw silk must be provided first, before the training department can be expected to produce the silk purses. Just as few manufacturers would allow their products to be produced on the basis of rough estimates of size and weight, but would demand scientific control of these basic characteristics, so too must the process of selection be made more scientific and accurate.

The role of the salesman is so vital to the success of a company that it is amazing to these writers how little stress industry has placed on selecting the best raw material. To sell effectively in the U.S. market of today, a salesman needs to have empathy. To sell effectively in the foreign market, crossing cultural lines, requires even more empathy. And marketing goods and services anywhere calls for a great deal of ego drive. The U.S. Department of Commerce recently stated that American industry has no problem with its production. Its main problem is distribution. Effective salesmen are the key to distribution, and proper selection is the key to finding, using, and profiting from salesmen of good quality.

• • •

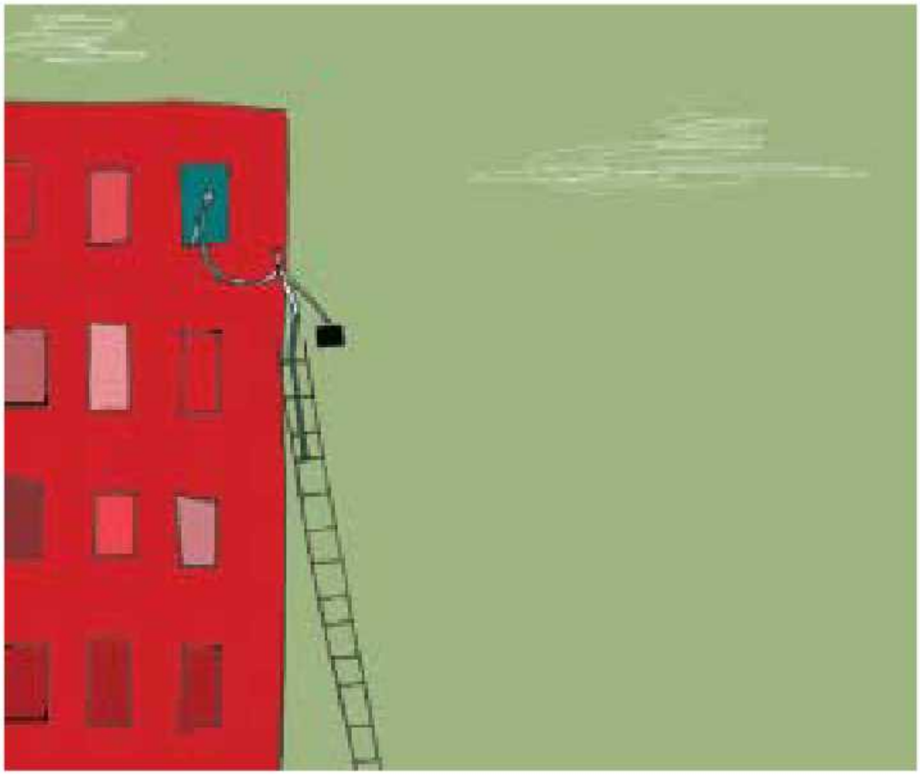
Industry must improve its ability to select top salesmen. Failure to date has stemmed from such errors as the belief that interest equals aptitude; the fakability of aptitude tests; the crippling emphasis on conformity rather than creativity; and the subdivision of a man into piecemeal traits, rather than understanding him as a whole person. Experience appears to be less important than a man's possession of the two central characteristics of empathy and ego drive, which he must have to permit him to sell successfully. Training can only succeed when the raw material is present.

Selecting men with empathy and ego drive should contribute in some degree to helping industry meet one of its most pressing problems: reducing the high cost of turnover and selecting genuinely better salesmen.

1. Robert N. McMurry, "The Mystique of Super-Salesmanship," HBR March–April 1961.

Reprint R0607N
To order, see page 191.

BY THOMAS V. BONOMA



JUSTINE BECKETT

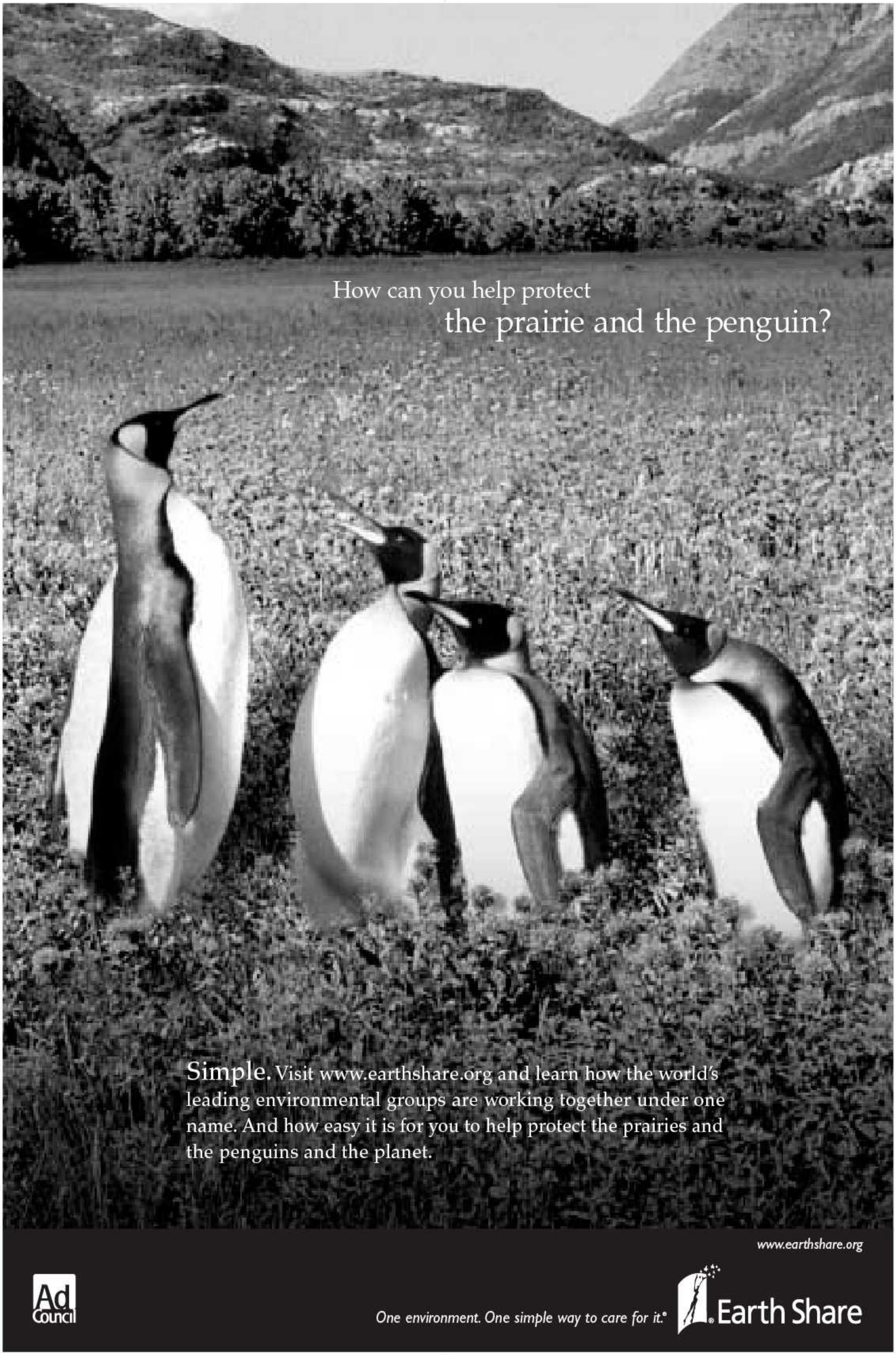
MAJOR SALES
WHO *REALLY* DOES THE BUYING?

Identifying the decision makers and their purchasing motives often requires a psychologist's eye.

You don't understand: Willy was a salesman....He don't put a bolt to a nut. He don't tell you the law or give you medicine. He's a man way out there in the blue, riding on a smile and a shoeshine. And when they start not smiling back – that's an earthquake.
– *Arthur Miller,* Death of a Salesman

MANY COMPANIES' selling efforts are models of marketing efficiency. Account plans are carefully drawn, key accounts receive special management attention, and substantial resources are devoted to the sales process, from prospect identification to postsale service. Even such well-planned and well-executed selling strategies often fail, though, because management has an incomplete understanding of buying psychology–the human side of selling. Consider the following two examples:

• A fast-growing maker and seller of sophisticated graphics computers had trouble selling to potentially major customers. Contrary to the industry practice of quoting high list prices and giving large discounts to users who bought in quantity, this company priced 10% to 15% lower than competitors and gave smaller quantity discounts. Even though its net price was often the lowest, the company met resistance from buyers. The reason, management later learned, was that purchasing agents measured themselves and were measured by their


How can you help protect
the prairie and the penguin?
Simple. Visit www.earthshare.org and learn how the world's leading environmental groups are working together under one name. And how easy it is for you to help protect the prairies and the penguins and the planet.
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superiors less by the net price of the sophisticated computers they bought than by the amount deducted from the price during negotiations. The discount had a significance to buyers that sound pricing logic could not predict.

• Several years ago, at AT&T's Long Lines division, an account manager was competing against a vendor with possibly better technology who threatened to lure away a key account. Among the customer's executives who might make the final decision about whether to switch from Bell were a telecommunications manager who had once been a Bell employee, a vice president of data processing who was known as a "big-name system buster" in his previous job because he had replaced all the IBM computers with other vendors' machines, and an aggressive telecommunications division manager who seemed to be unreachable by the AT&T team.

AT&T's young national account manager was nearly paralyzed by the threat. His team had never seriously considered the power, motivations, or perceptions of the various executives in the customer company, which had been buying from AT&T for many years. Without such analysis, effective and coordinated action on short notice – the usual time available for response to sales threats – was impossible.

Getting at the Human Factors

How can psychology be used to improve sales effectiveness? My contention is that seller awareness of and attention to the human factors in purchasing will produce higher percentages of completed sales and fewer unpleasant surprises in the selling process.

It would be inaccurate to call the human side of selling an emerging sales concern; only the most advanced companies recognize the psychology of buying as a major factor in improving account selection and selling results. Yet in most industries, the bulk of a company's business comes from a small minority of its customers. Retaining these key accounts is getting increasingly difficult as buyers constantly look not only for the best deal but also for the vendor that best understands them and their needs. It is this understanding and the targeted selling that results from it that can most benefit marketing managers.

Buying a corporate jet. The personal aspects and their complexities become apparent when one looks closely at an example of the buying process: the purchase of a business jet, which carries a price tag in excess of $3 million. The business-jet market splits obviously into two segments: those companies that already own or operate a corporate aircraft and those that do not.

In the owner market, the purchase process may be initiated by the chief executive officer, a board member (wishing to increase efficiency or security), the company's chief pilot, or through vendor efforts like advertising or a sales visit. The CEO will be central in deciding whether to buy the jet, but he or she will be heavily influenced by the company's pilot, financial officer, and perhaps by the board itself.

Each party in the buying process has subtle roles and needs. The salesperson who tries to impress, for example, both the CEO with depreciation schedules and the chief pilot with minimum runway statistics will almost certainly not sell a plane if he overlooks the psychological and emotional components of the buying decision. "For the chief executive," observes one salesperson, "you need all the numbers for support, but if you can't find the kid inside the CEO and excite him or her with the raw beauty of the new plane, you'll never sell the equipment. If you sell the excitement, you sell the jet."

The chief pilot, as an equipment expert, often has veto power over purchase decisions and may be able to stop the purchase of one or another brand of jet by simply expressing a negative opinion about, say, the plane's bad weather capabilities. In this sense, the pilot not only influences the decision but also serves as an information gatekeeper by advising management on the equipment to select. Though the corporate legal staff will formulate the purchase agreement and the purchasing department will acquire the jet, these parties may have little to say about whether or how the plane will be obtained, and which type. The users of the jet – middle and upper management of the buying company, important customers, and others – may have at least an indirect role in choosing the equipment.

"If you can't find the kid inside the CEO and excite him or her with the raw beauty of the new plane, you'll never sell the equipment. If you sell the excitement, you sell the jet."

The involvement of many people in the purchase decision creates a group dynamic that the selling company must factor into its sales planning. Who makes up the buying group? How will the parties interact? Who will dominate and who submit? What priorities do the individuals have?

It takes about three months for those companies that already own or operate aircraft to reach a decision. Because even the most successful vendor will sell no more than 90 jets a year, every serious prospect is a key account. The non-owners, not surprisingly, represent an even more complex market, since no precedent or aviation specialists exist.

The buying process for other pieces of equipment and for services will be more or less similar, depending on the company, product, and people involved. The purchase of computer equipment,

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for example, parallels the jet decision, except that sales prospects are likely to include data processing and production executives and the market is divided into small and large prospects rather than owners and nonowners. In other cases (such as upgrading the corporate communications network, making a fleet purchase, or launching a plant expansion), the buying process may be very different. Which common factors will reliably steer selling-company management toward those human considerations likely to improve selling effectiveness?

Different buying psychologies exist that make effective selling difficult. On the one hand, companies don't buy, people do. This knowledge drives the seller to analyze who the important buyers are and what they want. On the other hand, many individuals, some of whom may be unknown to the seller, are involved in most major purchases. Even if all the parties are identified, the outcome of their interaction may be unpredictable from knowledge of them as individuals. Effective selling requires usefully combining the individual and group dynamics of buying to predict what the buying "decision-making unit" will do. For this combination to be practical, the selling company must answer four key questions.

QUESTION 1
Who's in the Buying Center?

The set of roles, or social tasks, buyers can assume is the same regardless of the product or participants in the purchase decision. This set of roles can be thought of as a fixed set of behavioral pigeonholes into which different managers from different functions can be placed to aid understanding. Together, the buying managers who take on these roles can be thought of as a "buying center."[1]

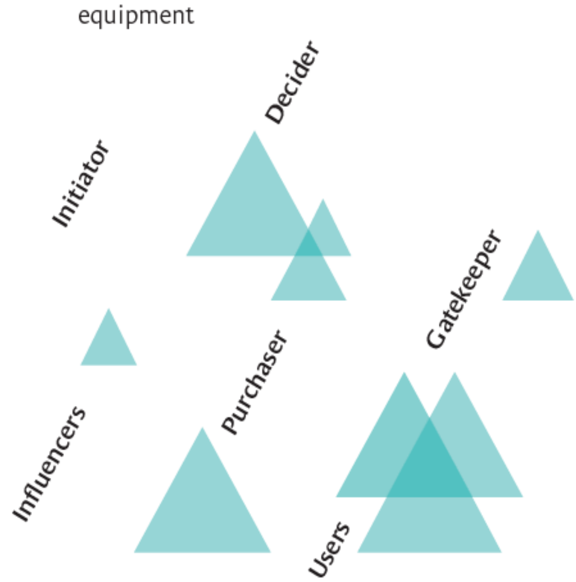
The exhibit "Members of the Buying Center and Their Roles" shows six buying roles encountered in every selling situation. I have illustrated these roles using the purchase or upgrading of a telecommunications system as an example. Let's consider each triangle, representing a buying role, in turn.

The *initiator* of the purchase process, whether for a jet, paper towels, or communication services, recognizes that some company problem can be solved or avoided by acquiring a product or service. A company's turboprop aircraft may provide neither the speed nor the range to get top management quickly to and from scattered operations. The prospective buyer of communications equipment may want to take advantage of technological improvements or to reduce costs through owning instead of leasing.

One or more *gatekeepers* are involved in the purchase process. These individuals, who may have the title of buyer or purchasing manager, usually act as problem or product experts. They are paid to keep up on the range of vendor offerings. In the jet example, the chief pilot will ordinarily fill this role. In the telecommunications example given in the exhibit, corporate purchasing, the corporate telecommunications staff, or, increasingly, data-processing experts may be consulted. By controlling (literally keeping the gate open or shut for) information and, sometimes, vendor access to corporate decision makers, the gatekeepers largely determine which vendors get the chance to sell. For some purchases the gatekeeping process is formalized through the use of an approved-vendors list, which constitutes a written statement of who can

Members of the Buying Center and Their Roles

Initiator	Division general manager proposes to replace the company's telecommunications system
Decider	Vice president of administration selects, with influence from others, the vendor the company will deal with and the system it will buy
Influencers	Corporate telecommunications department and the vice president of data processing have important say about which system and vendor the company will deal with
Purchaser	Corporate purchasing department completes the purchase to specifications by negotiating or bidding
Gatekeeper	Corporate purchasing and corporate telecommunications departments analyze the company's needs and recommend likely matches with potential vendors
Users	All division employees who use the telecommunications equipment



(and who, by absence, cannot) sell to the company.

Influencers are those who have a say in whether a purchase is made and about what is bought. The range of influencers becomes increasingly broad as major purchases are contemplated, because so many corporate resources are involved and so many people affected. In important decisions, board committees, stockholders of a public company, and even "lowly" mechanics can become influencers. One mining-machinery company encountered difficulty selling a new type of machine to its underground-mining customers. It turned out that mine maintenance personnel, who influenced the buying decision, resisted the purchase because they would have to learn to fix the new machine and maintain another stock of spare parts.

Unfortunately, power does not correlate perfectly with organizational rank. Those with little formal power may be able to stop a purchase or hinder its completion.

The *deciders* are those who say yes or no to the contemplated purchase. Often with major purchases, many of a company's senior managers act together to carry out the decider role. Ordinarily, however, one of these will become champion or advocate of the contemplated purchase and move it to completion. Without such a champion, many purchases would never be made. It is important to point out that deciders often do not sign off on purchases, nor do they make them. That is left to others. Though signers often represent themselves as deciders, such representation can be deceptive. It is possible for a vendor with a poor feel for the buying center never to become aware of the real movers in the buying company.

The purchase of executive computer workstations clearly illustrates both the importance of the champion and the behind-the-scenes role of the decider. A high-level executive who has become interested in using computers at his or her job after reading a magazine article or after tinkering with a home computer might decide to try out microcomputers or time-sharing terminals. The executive might then ask the company's data-processing group – which is likely to be quite resistant and averse to executive meddling – to evaluate available microcomputer equipment. When trial purchases are made, the high-level executive will quietly help steer the system through the proper channels leading to acceptance and further purchases. The vendor, dealing directly with the data-processing people, may never be aware that this decider exists.

The *purchaser* and the *user* are those concerned, respectively, with obtaining and consuming the product or service. The corporate purchasing department usually fills the purchaser role. Who fills the user role depends on the product or service.

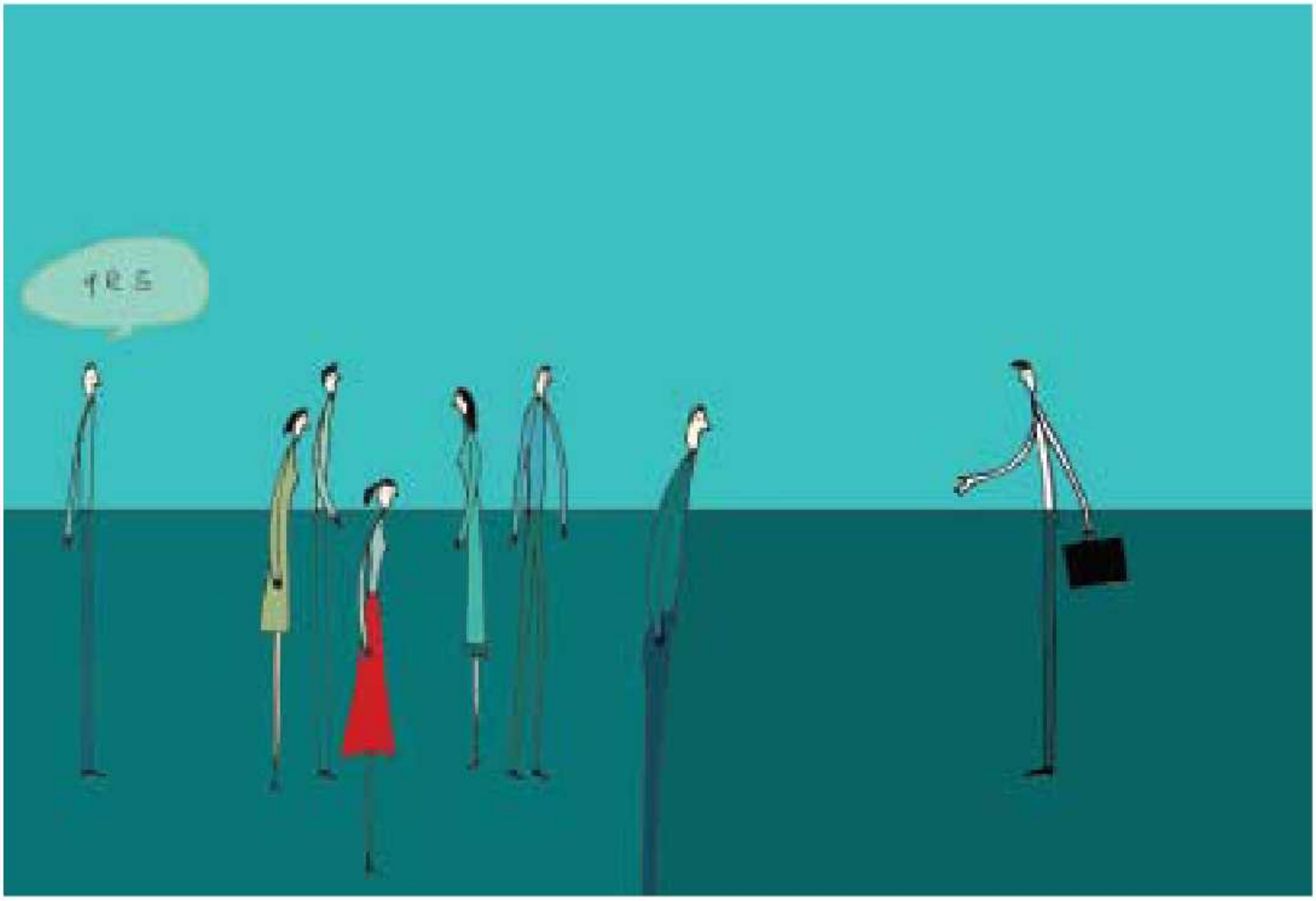
Remember that I am discussing social roles, not individuals or groups of individuals. As such, the number of managers filling the buying roles varies from one to 35. In very trivial situations, such as a manager's purchase of a pocket calculator on a business trip, one person will fill all six roles. The triangles in the exhibit would overlap: the manager initiates (perceives a need), "gatekeeps" (what brand did I forget at home?), influences himself or herself (this is more than I need, but it's only $39.95), decides, buys, and uses the equipment.

In more important buying situations, the number of managers assuming roles increases. In a study of 62 capital equipment and service acquisitions in 31 companies, Wesley J. Johnston and I quantified the buying center.[2] In the typical capital equipment purchase, an average of four departments (engineering and purchasing were always included), three levels of management hierarchy (for example, manager, regional manager, vice president), and seven different persons filled the six buying roles. For services, the corresponding numbers were four

Bases of Power

TYPE OF POWER	CHAMPION or	VETO
Reward Ability to provide monetary, social, political, or psychological rewards to others for compliance	■	
Coercive Ability to provide monetary or other punishments for noncompliance	■	
Attraction Ability to elicit compliance from others because they like you	■	■
Expert Ability to elicit compliance because of technical expertise, either actual or reputed		■
Status Compliance-gaining ability derived from a legitimate position of power in a company		■

Note: These five power bases were originally proposed over 20 years ago by psychologists J.R.P. French, Jr., and Bertram Raven. See "The Bases of Social Power" in D. Cartwright, ed., *Studies in Social Power* (University of Michigan Press, 1959).



departments, two levels of management, and five managers. As might be expected, the more complex and involved the buying decision, the larger the decision unit and the more careful its decisions. For example, when packing supplies were ordered, little vendor searching or postsale evaluation was involved. When a new boiler was bought, careful vendor comparisons and postsale audits were undertaken.

QUESTION 2
Who Are the Powerful Buyers?

As useful as the buying-center concept is, it is difficult to apply because managers do not wear tags that say "decision maker" or "unimportant person."[3] The powerful are often invisible, at least to vendor representatives.

Unfortunately, power does not correlate perfectly with organizational rank. As the case of the mine maintenance personnel illustrates, those with little formal power may be able to stop a purchase or hinder its completion. A purchasing manager who will not specify a disfavored vendor or the secretary who screens one vendor's salespeople because of a real or imagined slight also can dramatically change the purchasing outcome. Sales efforts cannot be directed through a simple reading of organizational charts; the selling company must identify the powerful buying-center members.

In the exhibit "Bases of Power," I outline five major power bases in the corporation. In addition, I have categorized them according to whether their influence is positive (champion power) or negative (veto power).

Reward power refers to a manager's ability to encourage purchases by providing others with monetary, social, political, or psychological benefits. In one small company, for instance, the marketing vice president hoped to improve marketing decisions by equipping the sales force with small data-entry computers. Anticipating objections that the terminals were unnecessary, she felt forced to offer the sales vice president a computer of his own. The purchase was made.

Coercive power refers to a manager's ability to impose punishment on others. Of course, threatening punishment is not the same thing as having the power to impose it. Those managers who wave sticks most vigorously are sometimes the least able to deliver anything beyond a gentle breeze.

Attraction power refers to a person's ability to charm or otherwise persuade people to go along with his or her preferences. Next to the ability to reward and punish, attraction is the most potent power base in managerial life. Even CEOs find it difficult to rebut a key customer with whom they have flown for ten years who says, "Joe, as your friend, I'm telling you that buying this plane would be a mistake."

When a manager gets others to go along with his judgment because of real or perceived expertise in some area, *expert power* is being invoked. A telecommunications manager will find it difficult to argue with an acknowledged computer expert who contends that buying a particular telephone switching system is essential for the "office of the future" – or that not buying it now eventually will make effective communication impossible. With expert power, the skills need not be real, if by "real" we mean that the individual actually possesses what is attributed to him. It is enough that others believe that the expert has special skills or are willing to respect his opinion because of accomplishments in a totally unrelated field.

Status power comes from having a high position in the corporation. This notion of power is most akin to what is meant by the word "authority." It refers to the kind of influence a president has over a first-line supervisor and is more restricted than the other power bases. At first glance, status power might be thought of as similar to reward or coercive power. But it differs in significant ways. First, the major influence activity of those positions of corporate authority is persuasion, not punishment or reward. We jawbone rather than dangle carrots and taunt with sticks because others in the company also have significant power that they could invoke in retaliation.

Second, the high-status manager can exercise his or her status repeatedly only because subordinates allow it. In one heavy-manufacturing division, for example, the continual specification of favored suppliers by a plant manager (often at unfavorable prices) led to a "palace revolt" among other managers whose component cost evaluations were constantly made to look poor. Third, the power base of those in authority is very circumscribed since authority only tends to work in a downward direction on the organization chart and is restricted to specific work-related requests. Status power is one of the weaker power bases.

Buying centers and individual managers usually display one dominant power base in purchasing decisions. In one small company, an important factor is whether the manager arguing a position is a member of the founding family – a kind of status power and attraction power rolled into one. In a large high-technology defense contractor, almost all decisions are made on the basis of real or reputed expertise. This is true even when the issue under consideration has nothing to do with hardware or engineering science.

The key to improved selling effectiveness is in observation and investigation to understand prospects' corporate power culture. The sales team must also learn the type of power key managers in the buying company have or aspire to. Discounts or offers of price reductions may not be especially meaningful to a young turk in the buying company who is most concerned with status power; a visit by senior selling-company management may prove much more effective for flattering the ego and making the sale. Similarly, sales management may wish to make more technical selling appeals to engineers or other buying-company staff who base their power on expertise.

The last two columns of the exhibit show that the type of power invoked may allow the manager to support or to oppose a proposal, but not always both. I believe status and expert power are more often employed by their holders to veto decisions with which they do not agree. Because others are often "sold" on the contemplated purchase, vetoing it generally requires either the ability to perceive aspects not seen by the average manager because of special expertise or the broader view that high corporate status is said to provide. Reward and coercive power are more frequently used to push through purchases and the choice of favored vendors. Attraction power seems useful and is used by both champions and vetoers. The central point here is that for many buying-center members, power tends to be unidirectional.

High-power buyers tend to be one-way information centers. The vice president who doesn't come to meetings but who receives copies of all correspondence is probably a central influencer or decider.

Six behavioral clues. On the basis of the preceding analysis of power centers, I have distilled six clues for identifying the powerful:

1. Though power and formal authority often go together, the correlation between the two is not perfect. The selling company must take into account other clues about where the true buying power lies.

2. One way to identify buying-center power holders is to observe communications in the buying company. Of course, the powerful are not threatened by others, nor are they often promised rewards. Still, even the most powerful managers are likely to be influenced by others, especially by those whose power is based on attraction or expertise. Those with less power use persuasion and rational argument to try to influence the more powerful. Managers to whom others direct much attention but who receive few offers of rewards or threats of punishment usually possess substantial decision-making power.

3. Buying-center decision makers may be disliked by those with less power. Thus, when others express concern about one buying-center member's opinions along with their feelings of dislike or ambivalence, sellers have strong clues as to who the powerful buyer is.

4. High-power buyers tend to be one-way information centers, serving as focal points for information from others. The vice president who doesn't come to meetings but who receives copies of all correspondence about a buying matter is probably a central influencer or decider.

5. The most powerful buying-center members are probably not the most easily identified or the most talkative members of their groups. Indeed, the really powerful buying group members often

send others to critical negotiations because they are confident that little of substance will be made final without their approval.

6. No correlation exists between the functional area of a manager and his or her power within a company. It is not possible to approach the data-processing department blindly to find decision makers for a new computer system, as many sellers of mainframes have learned. Nor can one simply look to the CEO to find a decision maker for a corporate plane. There is no substitute for working hard to understand the dynamics of the buying company.

QUESTION 3

What Do They Want?

Diagnosing motivation accurately is one of the easiest management tasks to do poorly and one of the most difficult to do well. Most managers have lots of experience at diagnosing another's wants, but though the admission comes hard, most are just not very accurate when trying to figure out what another person wants and will do. A basic rule of motivation is as follows: All buyers (indeed, all people) act selfishly or try to be selfish but sometimes miscalculate and don't serve their own interests. Thus, buyers attempt to maximize their gains and minimize their losses from purchase situations. How do buyers choose their own self-interest? The following are insights into that decision-making process from research.

First, buyers act as if a complex product or service were decomposable into various benefits. Examples of benefits might include product features, price, reliability, and so on.

Second, buyers segment the potential benefits into various categories. The most common of these are financial, product-service, social-political, and personal. For some buyers, the financial benefits are paramount, while for others, the social-political ones – how others in the company will view the purchase – rank highest. Of course, the dimensions may be related, as when getting the lowest-cost product (financial) results in good performance evaluations and a promotion (social-political).

Finally, buyers ordinarily are not certain that purchasing the product will actually bring the desired benefit. For example, a control computer sold on its reliability and industrial-strength construction may or may not fulfill its promise. Because benefits have value only if they actually are delivered, the buyer must be confident that the selling company will keep its promises. Well-known vendors, like IBM or Xerox, may have some advantage over lesser-known companies in this respect.

As marketers know, not all promised benefits will be equally desired by all customers. All buyers have top-priority benefit classes, or "hot buttons." For example, a telecommunications manager weighing a choice between Bell and non-Bell equipment will find some benefits, like ownership, available only from non-Bell vendors. Other desired benefits, such as reputation for service and reliability, may be available to a much greater degree from Bell. The buyer who has financial priorities as a hot button may decide to risk possible service-reliability problems for the cost-reduction benefits available through ownership. Another manager – one primarily concerned with reducing the social-political risks that result from service problems – may reach a different decision. The exhibit "Dominant Motives for Buying a Telecommunications System" schematically shows the four classes into which buyers divide benefits. The telecommunications example illustrates each class.

Outlining the buyer's motivation suggests several possible selling approaches. The vendor can try to focus the buyer's attention on benefits not a part of his or her thinking. A magazine sales representative, for instance, devised a questionnaire to help convince an uncertain client to buy advertising space. The questionnaire sought information about the preferred benefits – in terms of reach, audience composition, and cost per thousand readers. When the prospective buyer "played this silly game" and filled out the questionnaire,

Dominant Motives for Buying a Telecommunications System

The benefits in the shaded column are more highly valued than the others and represent the company's "hot button."

BENEFIT CLASS

FINANCIAL	PRODUCT OR SERVICE	SOCIAL OR POLITICAL	PERSONAL
Absolute cost savings	Pre- and postsales service	Will purchase enhance the buyer's standing with the buying team or top management?	Will purchase increase others' liking or respect for the buyer?
Cheaper than competitive offerings	Specific features		How does purchase fit with buyer's self-concept?
Will provide operating-cost reductions	Space occupied by unit		
Economics of leasing versus buying	Availability		

he convinced himself of the superior worth of the vendor's magazine on the very grounds he was seeking to devalue it.

Conversely, sellers can de-emphasize the buyer's desire for benefits on which the vendor's offering stacks up poorly. For example, if a competing vendor's jet offers better fuel economy, the selling company might attempt to refocus the buyer's attention toward greater speed or lower maintenance costs.

The vendor can also try to increase the buyer's confidence that promised benefits will be realized. One software company selling legal administrative systems, for example, provides a consulting service that remote users can phone if they are having problems, backup copies of its main programs in case users destroy the original, a complete set of input forms to encourage full data entry, and regular conferences to keep users current on system revisions. These services are designed to bolster the confidence of extremely conservative administrators and lawyers who are shopping for a system.

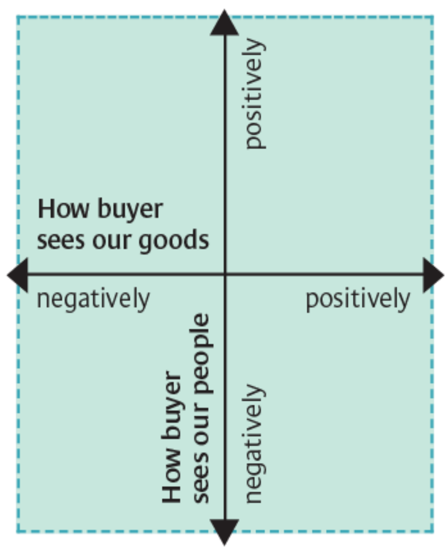
Finally, vendors often try to change what the buyer wants or which class of benefits he or she responds to most strongly. My view of motivation suggests that such an approach is almost always unsuccessful. Selling strategy needs to work with the buyer's motivations, not around them.

QUESTION 4
How Do They Perceive Us?

How buyers perceive the selling company, its products, and its personnel is very important to efficient selling. Powerful buyers invariably have a wide range of perceptions about a vending company. One buyer will have a friend at another company who has used a similar product and claimed that "it very nearly ruined us." Another may have talked to someone with a similar product who claims that the vending company "even sent a guy out on a plane to Hawaii to fix the unit there quickly. These people really care."

One drug company representative relates the story of how the company was excluded from all the major metropolitan hospitals in one city because a single influential physician believed that one of the company's new offerings was implicated in a patient's death. This doctor not only generalized his impressions to include all the company's products but encouraged his friends to boycott the company.

A simple scheme for keeping tabs on how buyers perceive sellers is to ask sales officials to estimate how the important buyers judge the vending company and its actions. This judgment can be recorded on a continuum ranging from negative to positive. If a more detailed judgment is desired, the selling company can place its products and its people on two axes perpendicular to each other, like this:



The scarcity of marketing dollars and the effectiveness of champions in the buying process argue strongly for focusing resources where they are likely to do the most good. Marketing efforts should aim at those in the buying company who like the selling company, since they are partially presold. While there is no denying the adage, "It's important to sell everybody," those who diffuse their efforts this way often sell no one.

Gathering Psychological Intelligence

While I would like to claim that some new technique will put sound psychological analyses magically in your sales staff's hands, no such formula exists. But I have used the human-side approach in several companies to increase sales effectiveness, and there are only three guidelines needed to make it work well.

Make productive sales calls a norm, not an oddity. Because of concern about the rapidly rising cost of a sales call, managers are seeking alternative approaches to selling. Sales personnel often do not have a good idea of why they are going on most calls, what they hope to find out, and which questions will give them the needed answers. Sales-call planning is not only a matter of minimizing miles traveled or courtesy calls on unimportant prospects but of determining what intelligence is needed about key buyers and what questions or requests are likely to produce that information.

I recently traveled with a major account representative of a duplication equipment company, accompanying him on the five calls he made during the day. None of the visits yielded even 10% of the potential psychological or other information that the representative could use on future calls, despite the fact that prospects made such information available repeatedly.

At one company, for example, we learned from a talkative administrator that the CEO was a semirecluse who insisted on approving equipment requests himself; that one of the divisional managers had (without the agreement of the executive who was our host) brought in a competitor's equipment to test; and that a new duplicator the vendor had sold to the company was more out of service than in. The salesperson pursued none of this freely offered information, nor did he think any of it important enough to write down or pass on to the sales manager. The call was wasted because the salesperson didn't know what he was looking for or how to use what was offered him.

The exhibit "Matrix for Gathering Psychological Information" shows a matrix that can be used to capture on a single sheet of paper essential psychological data about a customer. I gave

Matrix for Gathering Psychological Information

Who's in the buying center, and what is the base of their power?

Who are the powerful buyers, and what are their priorities?

What specific benefits does each important buyer want?

How do the important buyers see us?

Selling strategy

> Gathering psychological information is more often a matter of listening carefully than of asking clever questions during the sales interview.

some clues for filling in the matrix earlier in the article, but how sales representatives go about gathering the information depends on the industry, the product, and especially the customer. In all cases, however, key selling assessments involve (1) isolating the powerful buying-center members, (2) identifying what they want in terms of both their hot buttons and specific needs, and (3) assessing their perceptions of the situation. Additionally, gathering psychological information is more often a matter of listening carefully than of asking clever questions during the sales interview.

Listen to the sales force. Nothing discourages intelligence gathering as much as the sales force's conviction that management doesn't really want to hear what salespeople know about an account. Many companies require the sales force to file voluminous call reports and furnish other data – which vanish, never to be seen or even referred to again unless a sales representative is to be punished for one reason or another.

To counter this potentially fatal impediment, I recommend a sales audit. Evaluate all sales force control forms and call reports and discard any that have not been used by management for planning or control purposes in the last year. This approach has a marvelously uplifting effect all around; it frees the sales force from filling in forms it knows nobody uses, sales management from gathering forms it doesn't know what to do with, and data processing from processing reports no one ever requests. Instead, use a simple, clear, and accurate sales control form of the sort suggested in the matrix exhibit – preferably on a single sheet of paper for a particular sales period. These recommendations may sound drastic, but where management credibility in gathering and using sales force intelligence is absent, drastic measures may be appropriate.

Emphasize homework and details. Having techniques for acquiring sales intelligence and attending to reports is not enough. Sales management must stress that yours is a company that rewards careful fact gathering, tight analysis, and impeccable execution. This message is most meaningful when it comes from the top.

Cautionary Notes

The group that influences a purchase doesn't call itself a buying center. Nor do decision makers and influencers think of themselves in those terms. Managers must be careful not to mistake the analysis and ordering process for the buyers' actions themselves. In addition, gathering data such as I have recommended is a sensitive issue. For whatever reasons, it is considered less acceptable to make psychological estimates of buyers than economic ones. Computing the numbers without understanding the psychology, however, leads to lost sales. Finally, the notion implicit throughout this article has been that sellers must understand buying, just as buyers must understand selling. When that happens, psychology and marketing begin to come together usefully. Closed sales follow almost as an afterthought.

1. The concept of the buying center was proposed in its present form by Frederick E. Webster, Jr., and Yoram Wind in *Organizational Buying Behavior* (Prentice-Hall, 1972).

2. Wesley J. Johnston and Thomas V. Bonoma, "Purchase Process for Capital Equipment and Services," *Industrial Marketing Management,* vol. 10, 1981.

3. In the interest of saving space, I will not substantiate each reference to psychological research. Documentation for my assertions can be found in Thomas V. Bonoma and Gerald Zaltman, *Management Psychology* (Kent Publishing, 1981). See Chapter 8 for the power literature and Chapter 3 for material on motivation.

Reprint R0607P; HBR OnPoint 1004
To order, see page 191.

Why They Call It Work

As a small-business owner operating two franchise restaurants, I witness firsthand the type of employee dissatisfaction that E.L. Kersten describes in "Why They Call It Work" (The HBR List, February 2006). I agree with Kersten's assertion that employees need to discard the idea that a job must be meaningful in order for them to find satisfaction with it, but I also believe that employee dissatisfaction arises from three other factors: a lack of self-motivation, a sense

of entitlement, and a failure to accept that work is the tool with which one builds a meaningful life.

In my experience, many employees become dissatisfied because they lack the internal motivation to perform all tasks, whether meaningful or mundane, with efficiency and a sense of pride. These employees often become frustrated even when the tasks are consistent with their knowledge and skills, and they tend to find fault with their employer rather than hold themselves accountable.

A sense of entitlement, however, is often the employer's responsibility. When labor is scarce, employers worry about not being able to replace any employees they might lose, even the underperformers. But by lowering our standards and rewarding mediocrity in an effort to maintain our work forces, we give employees a false sense of entitlement and value to the organization.

Finally, employees sometimes fail to realize that their job is what helps them build a meaningful life. A job, according to *Merriam-Webster's Collegiate Dictionary, Eleventh Edition*, is "a small miscellaneous piece of work undertaken on order at a stated rate"–nothing more, nothing less. It allows employees to provide food and shelter for their families, invest for their futures, provide their children with an education, and pursue leisure activities. Creating a balance between finding meaning in one's job and meaning in one's personal life, however, is another matter. That topic could provide the material for another article entirely.

Employers and employees must understand what each needs from the other. Employees can narrow the gap between their expectations and satisfaction levels by finding meaning through compensation and recognition for a job well done. Meanwhile, employers can assist each other by setting rigorous, realistic expectations and standards early in an employee's career and holding that individual accountable for his or her performance.

J.D. Clockadale
Owner
Moe's Southwest Grill
Atlanta

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Kersten responds: I agree with the general thesis of J.D. Clockadale's letter, though I would quibble with the way he identifies one of the problems. I don't believe Clockadale's employees suffer from a lack of internal motivation. He entered into an exchange relationship with them, and they appear to be unwilling to live up to their part of the agreement. That sounds more like a lack of integrity. If the roles were reversed, and Clockadale decided to underpay them for their labor, they certainly would not accept lack of internal motivation as an excuse for denying them their full wages.

Of the three sources of dissatisfaction Clockadale identifies, the most pervasive and pernicious, I believe, is a sense of entitlement. Many people feel that certain types of work–serving in restaurants, completing their own expense accounts, prospecting for new clients–are beneath them and that these jobs diminish the dignity that should preclude them from performing such tasks. As a result, it is impossible for them to take pride in their work. Whether this condition is the result of the employer's tolerance for mediocrity or not probably differs depending upon the case.

The Seasoned Executive's Decision-Making Style

Kenneth R. Brousseau, Michael J. Driver, Gary Hourihan, and Rikard Larsson's development of decision styles in "The Seasoned Executive's Decision-Making Style" (February 2006) is illuminating. But declaring near-perfect statistical significance while one of their variables is admittedly imperfect seems inconsistent. Finding a better measure of executive success will be a challenge, especially if the data limit choice. Any measure, however, will need to be validated before tests for significance make sense.

Consider the sampling method, for example. The temporal aspect of the authors' hypothesis – the association between evolved styles and success – seems best suited for a longitudinal study but an extensive convenience sample of contemporary data is at hand. This presents an interesting dilemma: To what extent is it valid to use static data as a proxy for the longitudinal data we'd prefer? The researchers hint at this problem, acknowledging that their sample did not represent the same people over the course of their careers. Left unresolved, the "same people" dilemma also chips away at the significance of the authors' results.

In addition, if the targeted population comprises tomorrow's executives – who are today's junior ranks of proto-executives – we have another dilemma. Researchers generally agree, for example, that members of Generation Y (today's twentysomethings) tend to have a low tolerance for hierarchies and a high capacity for multitasking. Should they be nurtured to converge their decision styles to the mold of today's executives? Some would suggest otherwise.

For me, the value of the work Brousseau and his colleagues report is in the decision style model itself. Its many compelling theories are worth getting our minds around as we nurture our next crop of decision makers.

Ben McCulloch
Partner
n+1 Business Solutions
Huntington Beach, California

Brousseau, Driver, Hourihan, and Larsson respond: We agree that longitudinal research would provide the final word regarding *how* the associations we reported came about. (That is, did the executives develop their styles on the job as they moved up, or were they selected to advance because they already had those styles?) Nonetheless, our point regarding the overwhelming statistical significance of the findings is that the data leave no doubt that the observed relationships do exist; they are neither flukes nor patterns resulting from random circumstance. This is what statistical tests are intended to determine. Consequently, we remain fully impressed by the stark clarity of the patterns we reported – with or without reference to income.

Regarding the advice to those proto-executives, we do believe that becoming data driven in one's thinking as one moves up, as well as more open, participative, and team oriented in leadership – all without losing the ability to pull the trigger – generally will do much more good than harm in advancing one's career. Beyond that, our main advice to up-and-coming executives is to learn to read the cues of situations and figure out which styles are called for. That should do the trick – though it may not be an easy trick to learn on one's own.

Evidence-Based Management

In "Evidence-Based Management" (January 2006), Jeffrey Pfeffer and Robert I. Sutton, using concepts developing in evidence-based medicine, ask how business leaders can learn and apply the best evidence. Assuming evidence matters, making better decisions requires closing the gap between research evidence and managers at the time of a decision.

In a qualitative study led by John Hsu at Kaiser Permanente's Division of Research and Thomas Rundall at the University of California, Berkeley, we investigated whether, and to what extent, health care decision makers use evidence in operational and strategic management decisions. We convened four peer-to-peer focus groups composed of public and private high-level decision makers from across the United States and asked them how they make decisions, what they consider evidence, and what would help them make better-informed decisions. Our results show that leaders, particularly in the public sector, seldom use management research evidence when making decisions and that they prefer externally vetted, concise, on-hand evidence rather than evidence that meets classical standards of rigor. Our key finding, therefore, is that useful evidence must follow the "four A's": It must be *accessible, accurate, actionable,* and *applicable*. The full results of our study are forthcoming.

Peter F. Martelli
Health Services and Policy Analysis Group
School of Public Health
University of California, Berkeley

Pfeffer and Sutton respond: We agree completely with the four guidelines Peter Martelli proposes for making evidence-based management a way of life. Our new book, *Hard Facts, Dangerous Half-Truths, and Total Nonsense: Profiting from Evidence-Based Management* (Harvard Business School Press, 2006), emphasizes that some of the most powerful management ideas are the most simple – things like setting goals, hiring conscientious people, and having meetings where people stand up rather then sit down (in a controlled experiment in the *Journal of Applied Psychology* in 1999, stand-up meetings took about 34% less time and produced descisions that were just as good). Rather than look for magical, complex answers, we believe that the place to start is with straightforward ideas that managers can actually use.

The power of simple ideas – and the challenges of implementing them – can be seen in recent efforts by hospitals to get health care workers to wash their hands more thoroughly and more often. In the United States, about 90,000 patients per year die from infections that they contract while receiving health care. What's more, a study of doctors published in the *Annals of Internal Medicine* in 2004 found that they washed their hands adequately less than 50% of the time. As a result, many hospitals have started hand-washing campaigns. One hospital CEO in Florida wears a button that says, "It's OK to ask," which means that it is all right to ask your doctors before they touch you if they have washed their hands. This is good management, it empowers the patient, it follows Martelli's guidelines of being accessible, accurate, actionable, and applicable – and it is evidence based!

Executive Summaries

July–August 2006

> It takes both *savoir faire* (know how to do) and *savoir être* (know how to be) to master sales in the field.
> –page 58

58 | How Right Should the Customer Be?

Erin Anderson and Vincent Onyemah

If your salespeople aren't sure who their boss is–the district manager? the regional manager? the customer?–it could be a sign that your company's sales force controls are working at cross-purposes and that your sales function is in trouble.

Sales force controls are the policies and practices that govern the way you train, supervise, motivate, and evaluate your sales staff. They include the types of compensation you offer your people and the criteria your sales managers use to evaluate the reps' performance. These controls let salespeople know which trade-offs the company would prefer them to make when the inevitable conflicts arise between what they want to do (spend lots of time and money to get a sale) and what they actually can do (use limited resources and still get the sale).

When sales force controls aren't aligned–when, say, the system simultaneously encourages reps to be entrepreneurial but also to file detailed call reports and check in frequently with their bosses–individuals become discouraged and unproductive, and they eventually leave the company.

The authors' research suggests there are significant differences between the control systems of companies that encourage salespeople to put the customer first–outcome control (OC) systems–and those that encourage reps to put their managers first–behavior control (BC) systems. In this article, they list the characteristics of OC and BC systems, describe the potential fallout from conflicts within these systems, and explain how you can tell which control system is appropriate for your firm. In most cases, the right choice will be a consistent system somewhere in the middle of the OC-BC continuum.

Reprint R0607D; HBR OnPoint 1001; OnPoint collection "Supercharge Your Sales Force" 1005

FORETHOUGHT

16 | A Portfolio Approach to Sales

Vendors that match specific sales capabilities to opportunities and provide thoughtful support can maximize their return over the long term. Those that use a four-pronged portfolio approach are likely to do better than their peers. **Reprint F0607A**

Selling the Sales Force on Automation

Sales force automation applications have great potential to enhance companies' sales processes, yet many reps strongly resist SFA implementation. Five recommendations can help smooth the integration. **Reprint F0607B**

Sales Reps' Biggest Mistakes

From poor listening skills to the failure to follow up, salespeople offend potential customers in a variety of ways. Here's a chance for reps to take note of–and correct–the errors of their ways. **Reprint F0607C**

Finding the Weak Links

According to a recent survey, top executives are consistently underwhelmed by their companies' sales forces. What can executives do to improve their sales functions? Strive for a full spectrum of excellence. **Reprint F0607D**

Give Me That Old-Time Motivation

People remember the salesman, but rarely is the sales manager recognized in the history books. Still, some old-time sales leadership techniques may hold the key to present-day success. **Reprint F0607E**

Love Your Customers

Joe Girard, the world's greatest salesperson, reveals the secret to his unparalleled achievement. **Reprint F0607F**

HBR CASE STUDY

28 | Old Hand or New Blood?

Frank V. Cespedes

Fusilier Technology is in disarray. Its vice president of sales is leaving, the company's new growth strategy to sell customized business solutions has stalled, and sales have been flat for five years.

Bill MacLeod, Fusilier's CEO, has to choose between two very different candidates for the top sales job: a veteran sales director who has excelled under the old order and a brash outsider who has experience selling solutions but doesn't know the industry. With an outside board director pressuring him to accelerate the pace of change, MacLeod ponders which candidate can best help the company make the transition.

Fusilier's new solutions strategy has made the decision that much more difficult. Under this model, the company must revamp its incentives, training, and processes for deploying the sales force. Historically, compensation has been based largely on an individual rep's results, and sales training has focused on product features and cost-performance advantages, not on the business issues facing customers. Now salespeople need to understand, promote, and select from an entire portfolio of products and services offered both by Fusilier and by its business partners. What's more, they need to collaborate with Professional Services, the new consulting unit whose mission is to jump-start the solutions-centric approach.

Whom should MacLeod hire for the top sales job, and what should he do to put Fusilier back on a growth track? Four experts comment on this fictional case study: Alston Gardner, founder of OnTarget, a sales training and consulting firm; Steve Kerr, a managing director and the chief learning officer of Goldman Sachs; Randall D. Kelley, a partner of the executive search firm Spencer Stuart; and Andrea L. Dixon, an associate professor of marketing at the University of Cincinnati.

Reprint R0607A
Reprint R0607X: Case only
Reprint R0607Z: Commentary only

42 | Leveraging the Psychology of the Salesperson: A Conversation with Psychologist and Anthropologist G. Clotaire Rapaille

We have to admire salespeople's resilience in the face of endless rejection, their certainty that things will work out in the end. At the same time, we're repelled by what their job can do to them. (Think *Death of a Salesman* and *Glengarry Glen Ross,* dramatic portraits of hollowness and moral capitulation.)

Just what type of person goes into sales, and how do salespeople cope with their jobs? For insight into these questions, HBR approached G. Clotaire Rapaille, a psychologist, anthropologist, and marketing guru who researches the impact of culture on business and markets. In particular, he studies archetypes–the underlying patterns in psychology that illuminate the human condition–and shows organizations how to use those patterns to sharpen their sales and marketing efforts. He points out, for instance, that a keen understanding of the Great Mother archetype has helped Procter & Gamble achieve great success with Pantene hair products. By promoting nutrition–and reminding consumers that hair must be nurtured–the Pantene brand appeals to the maternal instinct.

Rapaille says that salespeople have their own archetype: They are Happy Losers who relish rejection and actually seek out jobs that provide opportunities to be turned down. That, of course, has implications for how they should be managed. Rapaille's research shows that the leading motivator in sales is not money; it's the thrill of the chase. "Hold huge company meetings where you give a salesperson the gold medal of rejection," he advises. "Jonathan sold 500,000 computers last month, but he was rejected 5 million times! It may sound ludicrous, but this is the way to get fire in the belly of your sales force–particularly in America, where beating the odds is highly prized."

Reprint R0607B

SALES

48 | Understanding What Your Sales Manager Is Up Against

Barry Trailer and Jim Dickie

Every year, the research firm CSO Insights publishes the results of its Sales Performance Optimization survey, an online questionnaire given to more than 1,000 sales executives worldwide that seeks to examine the effectiveness of key sales practices and metrics. In this article, two partners from CSO provide the 2005 and 2006 survey highlights, which describe the challenges today's sales organizations face and how they're responding.

An overall theme is the degree to which the buy cycle has gotten out of sync with the sell cycle. Buyers have always had a buy cycle, starting at the point they perceive a need. Sellers have always had a sales cycle, starting at the point they spot a prospect. Traditionally, the two have dovetailed – either because the seller created the buyer's perception of need or because the buyer pursued a need by contacting a salesperson (often for product information). Now the buy cycle is often well under way before the seller is even aware there is a cycle – in part because of the information asymmetry created by the Internet. The implications for managing a sales organization are profound in that sales training must now address how reps handle an environment in which buyers have more knowledge than they do.

The authors offer evidence that sales executives are taking – and should take – aggressive action to train and retain sales talent, manage the sales process, and use sales support technologies to meet the challenges of this new environment.

Reprint R0607C

ORGANIZATION & CULTURE

68 | Ending the War Between Sales and Marketing

Philip Kotler, Neil Rackham, and Suj Krishnaswamy

Sales departments tend to believe that marketers are out of touch with what's really going on in the marketplace. Marketing people, in turn, believe the sales force is myopic – too focused on individual customer experiences, insufficiently aware of the larger market, and blind to the future. In short, each group undervalues the other's contributions. Both stumble (and organizational performance suffers) when they are out of sync. Yet few firms seem to make serious overtures toward analyzing and enhancing the relationship between these two critical functions.

Curious about the misalignment between Sales and Marketing, the authors interviewed pairs of chief marketing officers and sales vice presidents to capture their perspectives. They looked in depth at the relationship between Sales and Marketing in a variety of companies in different industries. Their goal was to identify best practices that could enhance the joint performance and increase the contributions of these two functions. Among their findings:

• The marketing function takes different forms in different companies at different product life cycle stages. Marketing's increasing influence in each phase of an organization's growth profoundly affects its relationship with Sales.

• The strains between Sales and Marketing fall into two main categories: economic (a single budget is typically divided between Sales and Marketing, and not always evenly) and cultural (the two functions attract very different types of people who achieve success by spending their time in very different ways).

In this article, the authors describe the four types of relationships Sales and Marketing typically exhibit. They provide a diagnostic to help readers assess their companies' level of integration, and they offer recommendations for more closely aligning the two functions.

Reprint R0607E; HBR OnPoint 1014; OnPoint collection "Supercharge Your Sales Force" 1005

SALES

80 | Match Your Sales Force Structure to Your Business Life Cycle

Andris A. Zoltners, Prabhakant Sinha, and Sally E. Lorimer

Although companies devote considerable time and money to managing their sales forces, few focus much thought on how the structure of the sales force needs to change over the life cycle of a product or a business. However, the organization and goals of a sales operation have to evolve as businesses start up, grow, mature, and decline if a company wants to keep winning the race for customers.

Specifically, firms must consider and alter four factors over time: the differing roles that internal salespeople and external selling partners should play, the size of the sales force, its degree of specialization, and how salespeople apportion their efforts among different customers, products, and activities. These variables are critical because they determine how quickly sales forces respond to market opportunities, they influence sales reps' performance, and they affect companies' revenues, costs, and profitability.

In this article, the authors use time-series data and cases to explain how, at each stage, firms can best tackle the relevant issues and get the most out of their sales forces. During start-up, smart companies focus on how big their sales staff should be and on whether they can depend upon selling partners. In the growth phase, they concentrate on getting the sales force's degree of specialization and size right. When businesses hit maturity, companies should better allocate existing resources and hire more general-purpose salespeople. Finally, as organizations go into decline, wise sales leaders reduce sales force size and use partners to keep the business afloat for as long as possible.

Reprint R0607F

CHANGE MANAGEMENT

THE HBR INTERVIEW

90 | Leading Change from the Top Line

Fred Hassan

Interviewed by Thomas A. Stewart and David Champion

Most CEOs who specialize in turning around struggling companies focus on costs. But for Fred Hassan, chairman and CEO of Schering-Plough, the primary focus in a turnaround is the top line. Since 2003, when Hassan took the helm at the global pharmaceutical company, he has overseen a remarkable recovery in performance. And consistent with his philosophy, the turnaround started with sales.

Considering sales reps as less than crucial to strategy, Hassan cautions, is a big mistake. At Schering-Plough, he has concentrated on motivating and organizing salespeople to create trusting relationships with doctors. "You have to differentiate the salesperson in the customer's mind – just like you differentiate brands," he explains. A doctor may see 60 pharmaceutical reps on a regular basis but actually trust far fewer. To earn a spot in this inner circle, Schering-Plough reps try to turn each customer encounter into an occasion to help doctors provide better care for their patients. Schering-Plough also restructured its sales forces so that reps carry not just one kind of product, as they do in most pharmaceutical companies, but several. Covering a broad range of treatments gives reps more ways to build value-adding relationships with doctors.

In this interview, Hassan discusses his success at Schering-Plough and his experiences at other pharmaceutical companies. During his career, he has built a reputation for being in tune with the front lines, as well as for reaching out to the managers who supervise salespeople. He has found that this level of personal attention not only makes reps feel respected but also gives him valuable strategic insights.

Reprint R0607G

SALES

102 | Better Sales Networks

Tuba Üstüner and David Godes

Anyone in sales will tell you that social networks are critical. The more contacts you have, the more leads you'll generate, and, ultimately, the more sales you'll make. But that's a vast oversimplification. Different configurations of networks produce different results, and the salesperson who develops a nuanced understanding of social networks will outshine competitors.

The salesperson's job changes over the course of the selling process. Different abilities are required in each stage of the sale: identifying prospects, gaining buy-in from potential customers, creating solutions, and closing the deal. Success in the first stage, for instance, depends on the salesperson acquiring precise and timely information about opportunities from contacts in the marketplace. Closing the deal requires the salesperson to mobilize contacts from prior sales to act as references.

Managers often view sales networks only in terms of direct contacts. But someone who knows lots of people doesn't necessarily have an effective network because networks often pay off most handsomely through indirect contacts. Moreover, the density of the connections in a network is important. Do a salesperson's contacts know all the same people, or are their associates widely dispersed? Sparse networks are better, for example, at generating unique information.

Managers can use three levers – sales force structure, compensation, and skills development – to encourage salespeople to adopt a network-based view and make the best possible use of social webs. For example, the sales force can be restructured to decouple lead generation from other tasks because some people are very good at building diverse ties but not so good at maintaining other kinds of networks. Companies that take steps of this kind to help their sales teams build better networks will reap tremendous advantages.

Reprint R0607H

114 | The Sales Learning Curve

Mark Leslie and Charles A. Holloway

When a company launches a new product into a new market, the temptation is to immediately ramp up sales force capacity to gain customers as quickly as possible. But hiring a full sales force too early just causes the firm to burn through cash and fail to meet revenue expectations. Before it can sell an innovative product efficiently, the entire organization needs to learn how customers will acquire and use it, a process the authors call the sales learning curve.

The concept of a learning curve is well understood in manufacturing. Employees transfer knowledge and experience back and forth between the production line and purchasing, manufacturing, engineering, planning, and operations. The sales learning curve unfolds similarly through the give-and-take between the company–marketing, sales, product support, and product development–and its customers. As customers adopt the product, the firm modifies both the offering and the processes associated with making and selling it.

Progress along the manufacturing curve is measured by tracking cost per unit: The more a firm learns about the manufacturing process, the more efficient it becomes, and the lower the unit cost goes. Progress along the sales learning curve is measured in an analogous way: The more a company learns about the sales process, the more efficient it becomes at selling, and the higher the sales yield.

As the sales yield increases, the sales learning process unfolds in three distinct phases–initiation, transition, and execution. Each phase requires a different size–and kind–of sales force and represents a different stage in a company's production, marketing, and sales strategies. Adjusting those strategies as the firm progresses along the sales learning curve allows managers to plan resource allocation more accurately, set appropriate expectations, avoid disastrous cash shortfalls, and reduce both the time and money required to turn a profit.

Reprint R0607J; HBR OnPoint 1003; OnPoint collection "Get Your Innovations to Market–and Keep Them There" 1006

LEADERSHIP

124 | The Ultimately Accountable Job: Leading Today's Sales Organization

Jerome A. Colletti and Mary S. Fiss

In recent years, sales leaders have had to devote considerable time and energy to establishing and maintaining disciplined processes. The thing is, many of them stop there–and they can't afford to, because the business environment has changed. Customers have gained power and gone global, channels have proliferated, more product companies are selling services, and many suppliers have begun providing a single point of contact for customers.

Such changes require today's sales leaders to fill various new roles:

Company leader. The best sales chiefs actively help formulate and execute company strategy, and they collaborate with all functions of the business to deliver value to customers.

Customer champion. Customers want C-level relationships with suppliers in order to understand product strategy, look at offerings in advance, and participate in decisions made about future products–and sales leaders are in the best position to offer that kind of contact.

Process guru. Although sales chiefs must look beyond the sales and customer processes they have honed over the past decade, they can't abandon them. The focus on process has become only more important as many organizations have begun bundling products and services to meet important customers' individual needs.

Organization architect. Good sales leaders spend a lot of time evaluating and occasionally redesigning the sales organization's structure to ensure that it supports corporate strategy. Often, this involves finding the right balance between specialized and generalized sales roles.

Course corrector. Sales leaders must watch the horizon, but they can't take their hands off the levers or forget about the dials. If they do, they might fail to respond when quick adjustments in priorities are needed.

Reprint R0607K

SALES

140 | Making the Major Sale

Benson P. Shapiro and Ronald S. Posner

Many companies today are faced with large, complex selling situations–they sell expensive equipment that affects many parts of a customer's company, they work on sales that may take several years to consummate, or they arrange mergers with other organizations. These major sales need special handling: They are more complex than smaller transactions, their potential profit is larger, and they have a more lasting effect on both buyer and seller.

In this article, first published in 1976, the authors develop a systematic approach that companies can use not only to facilitate the sale but also to ensure the long-term account relationship. Their eight-step procedure shows how to open a contact, "separate the suspects from the prospects," develop a profile of a company's needs and key personnel, justify the purchase to the buyer, make the sales pitch, coordinate company resources, close the sale, and maintain the account.

Before they can engage in strategic selling, most companies will have to revise the makeup of their sales forces according to the kind of sales they want to make, which may include different types of nonrecurring sales. To help solve these more-complicated selling problems, the authors provide organizational guidelines for companies to use in their specific operations. Among these are creating a senior sales force to service a multitude of major accounts, assigning a field sales manager to one or two accounts for regional sales management, and having top executives take charge of the large sales.

Reprint R0607L

SALES

150 | Low-Pressure Selling

Edward C. Bursk

Traditional, high-pressure selling techniques were intended to talk the buyer into making a purchase–which often meant driving him to a decision rather than allowing him to reach it freely and independently. In this classic article from 1947, HBR editor Edward C. Bursk makes the case for replacing high-pressure selling with a milder approach, in which the salesperson does not so much "sell" the prospect as let him follow his natural inclinations to buy.

Bursk draws from his own business experience to support his points. He begins with a discussion of the advantages of low-pressure selling, the heart of which is the seller's sincerity. He then analyzes the reasons for the method's effectiveness. It's most clearly demonstrated by the customer-problem approach, in which the salesperson learns about the buyer's problems and, in effect, helps him solve them. Bursk concludes by addressing the practical questions facing sales managers, who bear the brunt of implementing the new technique. Low-pressure selling requires salespeople who are intelligent, analytical, subtle, and flexible–qualities rarely found in practitioners of the high-pressure selling method. Managers must not only craft a compensation plan that balances stability of income with strong incentives but select and train low-pressure salespeople with care.

Reprint R0607M

SALES

164 | What Makes a Good Salesman

David Mayer and Herbert M. Greenberg

Despite millions of dollars spent on combating the high turnover rate among insurance agents, the rate–approximately 50% within the first year and 80% within the first three years–had remained steady for the more than 35 years preceding the publication of Mayer and Greenberg's 1964 article. The authors devoted seven years of research to studying the problem of the ineffectiveness of large numbers of salespeople. They discovered flaws in the established methods of selection and revealed the two basic qualities that any good salesperson must have: empathy and ego drive.

Empathy, in this context, is the central ability to feel as other people do in order to sell them a product or service; a buyer who senses a salesperson's empathy will provide him with valuable feedback, which will in turn facilitate the sale. The authors define the second of the two qualities, ego drive, as the personal desire and need to make the sale–not because of the money to be gained but because the salesperson feels he *has* to. For sales reps with strong ego drives, every sale is a conquest that dramatically improves their self-perception. In the dynamic relationship between empathy and ego drive, each must work to reinforce the other.

Why did the executives that Mayer and Greenberg studied continue to hire salespeople who did not have the ability to perform well? The companies were hindered in the preselection process by flaws in the prevailing forms of aptitude testing. Test takers could easily give answers they knew the test givers wanted to hear, in part because the tests sought to identify particular psychological traits rather than the personality type most capable of selling.

Reprint R0607N

SALES

172 | Major Sales: Who *Really* Does the Buying?

Thomas V. Bonoma

When is a buyer not really a buyer? How can the best product at the lowest price turn off buyers? Are there anonymous leaders who make the actual buying decisions? As these questions suggest, the reality of buying and selling is often not what it seems. What's more, salespeople often overlook the psychological and emotional factors that figure strongly in buying and selling. By failing to observe these less tangible aspects of selling, a vendor can lose sales without understanding why.

In this article, first published in 1982, Bonoma sets up a procedure for analyzing buying decisions and tells sellers how to apply the resulting framework to specific situations. Steps in the procedure include the following:

Identifying the actual decision makers. Though it may come as a surprise, power does not correlate perfectly with organizational rank. The author outlines five bases of power and offers six behavioral clues for identifying the real decision makers.

Determining how buyers view their self-interest. All buyers act selfishly, but they sometimes miscalculate. As a result, diagnosing motivation is one of the most difficult management tasks to do accurately. The author suggests several techniques to determine how buyers choose their own self-interest.

Gathering and applying psychological intelligence. There is no formula for placing sound psychological analyses magically in the sales staff's hands. However, the author offers three guidelines–make sure that sales calls are highly productive and informative, listen to the sales force, and reward rigorous fact gathering, analysis, and execution–to help managers increase sales effectiveness.

Reprint R0607P; HBR OnPoint 1004

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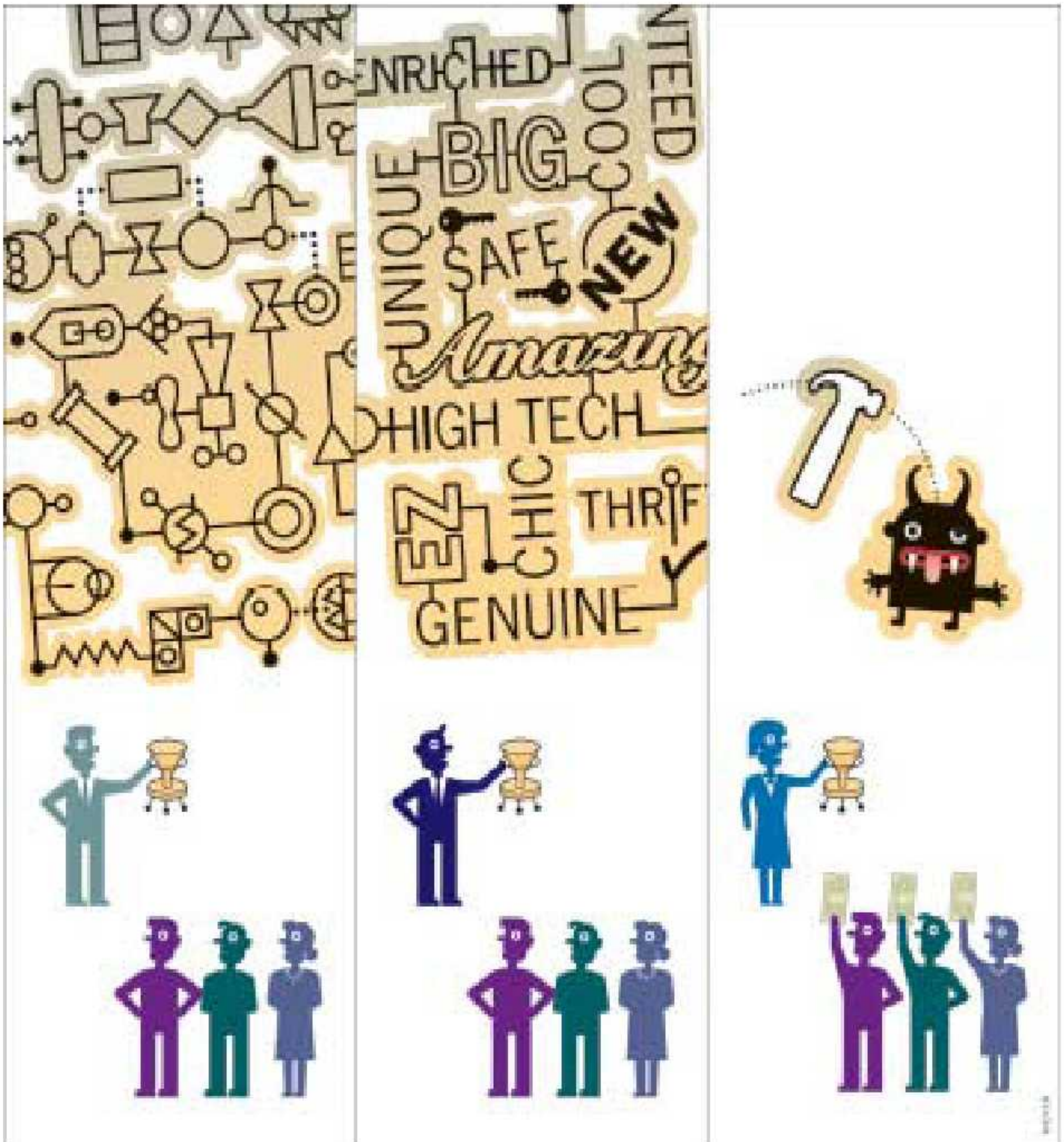
BY DON MOYER



Selling Solutions

Professor emeritus Theodore Levitt famously told his students at Harvard Business School, "People don't want a quarter-inch drill. They want a quarter-inch hole." So why do countless pitches for products and services focus almost entirely on features, blattering and blathering on about technical specifications and other product attributes?

In "Marketing Malpractice" (HBR December 2005), Clayton M. Christensen, Scott Cook, and Taddy Hall offer a different way of thinking about products and services – one that complements Levitt's emphasis on the customer's perspective. They suggest viewing each product and the experiences associated with it as a capacity that customers hire: "When people find themselves needing to get a job done, they essentially hire products to do that job for them. The marketer's task is therefore to understand what jobs periodically arise in customers' lives for which they might hire products the company could make."

Sellers, take note: Stop chattering about the attributes of the product. Instead, be utterly clear about what it does for those who buy it.

Don Moyer can be reached at dmoyer@thoughtformdesign.com.

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2. Mercedes	b. Toyota Motor Corporation
3. BMW	c. DaimlerChrysler AG
4. Infiniti	d. BMW AG
5. Volvo	e. Volkswagen AG
6. Audi	f. Nissan Motor Corporation, Ltd.

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