Harvard Business School Case Selections (Reprint)

哈佛商学案例精选集

（英文影印版）

商务基础系列

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销售管理（第二版）

Sales Management

(Second Edition)

David J. Arnold 戴维·J·阿诺德
Laetitia Pouliquen 利蒂希亚·普利康 等 编写
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SALES MANAGEMENT

Second Edition

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INTRODUCTION

Welcome to the Business Fundamentals series from Harvard Business School Publishing.

Most of the readings in this collection were developed for the MBA and executive programs of Harvard Business School. These programs rely heavily on the case method of instruction, in which students analyze and discuss firsthand accounts of actual management situations. Students also learn the fundamentals of what managers do: how they measure performance, make choices, and organize their activities.

At Harvard Business School, the fundamentals are often taught through background notes, which describe business processes, management techniques, and industries. Such notes are the backbone of this revised and expanded volume on sales management. In addition, this title features a Harvard Business School case study plus two articles from journal-reprint collections that HBS Publishing distributes: *Harvard Business Review* and *California Management Review*.

While no Business Fundamentals title is intended as a comprehensive textbook-style presentation of the subject, we have brought breadth as well as depth to this volume, and we believe you will find that it covers many of the essential aspects of sales management. We also strive to be as current as possible: most of the items herein were originally published in the past five years.

The Business Fundamentals titles are designed for both individual study and facilitated training. If you want to use this collection for self-study, we have provided a summary, outline, learning objectives, and a list of questions, ideas, and exercises for each reading to help you get started. If these readings are part of a training program in your company, you will find them to be a valuable resource for discussion and group work.

You can search for related materials on our Web site: www.hbsp.harvard.edu.

We wish you a rich learning experience!

The Editors

Sales Management

CONTENTS

MANAGING SELLING AND THE SALESPERSON

(F.V. Cespedes / #590-043 / 6 p)

Summary

This note gives novice sales managers a brief introduction to the essentials of recruiting, training, compensating, and evaluating salespeople. Veterans will find key questions throughout that invite them to reflect on how they have structured these processes – can they be made more effective? The author holds out the same challenge to novice and veteran alike: tie your recruitment, training, compensation, and evaluation processes to the sales tasks.

Outline

Recruitment and Selection
Training
Compensation
Evaluation

Learning Objectives

- Identify the sources of competitive advantage and disadvantage in their recruitment, training, compensation, and evaluation processes.
- Understand how their hiring criteria reflect their company's marketing strategy and sales tasks.
- Understand how the content, structure, and sequencing (timing) of their sales training program reflect the sales tasks.
- Understand how their compensation plan reflects the sales tasks.
- Understand how the evaluation process is linked to the sales compensation plan.

Questions, Ideas, and Exercises

1. List the criteria you consider essential when hiring salespeople. Be as specific as possible about the types of experience you look for, using the list at the top of the article's second page.

   How do each of these criteria relate to your marketing strategy? How do the types of experience you consider essential relate to the sales tasks? How do these criteria compare with those of your toughest competitor? What might account for some of the differences? Are any differences a source of competitive advantage or disadvantage for your company?

2. Briefly sketch out your sales training program and then discuss the following

questions with a colleague: How does your training program reflect the selling situations and the sales tasks of your salespeople? Is your training program developmental (i.e., do salespeople receive training at different stages of their careers)? How does your training program reflect changing market and competitive conditions?

3. The author points out that "sales training can encompass product knowledge, company knowledge, customer knowledge, and/or generic selling skills." Roughly what percentage of your training program is devoted to each of these types of training? Briefly describe how this mix reflects your company's marketing strategy and the selling situations your salespeople encounter. If you see a poor fit, what will you do to change it?

4. Consider how your sales training program is structured. Is the program largely centralized or does it consist of on-the-job training and experience? Does the program rely on in-house trainers or outside expertise? Is this structure efficient? Does it allow your training to be realistic? How might the structure be changed to make it even more efficient and realistic?

5. How does your compensation plan reflect the sales tasks? Briefly discuss with a colleague how your compensation plan compares with your competitors' compensation plans. What are the sources of competitive advantage and disadvantage in your compensation plan? Assess the salary/incentive mix in your compensation plan. In what ways does this mix reflect the sales tasks?

6. How does your evaluation process focus on behaviors that salespeople can modify? What additional behaviors should the process address?

Managing Selling and the Salesperson

Recruitment and selection of salespeople, training, compensation, and performance evaluation are core tasks in organizing and implementing the marketing effort. In a real sense, they are the fundamentals, or basic building blocks, of a marketing program. Companies approach these tasks in different ways. But in all companies, certain generic questions are relevant to the effective management of these activities.

Recruitment and Selection

Recruiting and selection processes clearly have a direct impact on a company's field marketing capabilities. Recruiting refers to the generation of applications and the labor pool from which the company typically seeks to hire salespeople; selection refers to the choice of "hirees" from among the applicants. Theoretically, the company's marketing strategy should define the role of personal selling within the marketing mix; and that role, in turn, should determine recruitment and selection criteria throughout the sales force. But in practice, the exigencies of time, the constraints of the relevant labor markets, or the inattention to implementation requirements in the strategy itself make recruitment and selection a more ad hoc process at many companies.

In evaluating recruiting and selection practices, consider:

- Who in the company has the primary responsibility for recruiting and selection of salespeople? What is the role of first-level sales managers in this process? What are their formal and informal qualifications for making these important judgments about whom to hire?

- What are the stated recruitment and selection criteria at each company studied? Do the actual criteria seem to differ from the official criteria in any of these situations? If so, why?

- Finally, "experience" is probably the most frequently cited recruitment criterion by marketing managers. But as has been pointed out,[1] in a sales context "experience" is a multi-dimensional attribute. It may refer to experience with:

[1] Benson P. Shapiro, *Sales Program Management* (New York: McGraw-Hill, Inc., 1977), p. 455.

Professor Frank V. Cespedes prepared this note as the basis for class discussion.

- a customer group (e.g., a banker, broker or other financial-services executive hired by a computer firm to call on financial-services prospects);

- a product technology (e.g., an applications engineer or field-service technician hired to sell that category of equipment);

- a company or division of an organization (e.g., an expediter or customer service representative moved to a sales position);

- a geography or territory (e.g., an inexperienced salesperson hired to sell in his or her hometown or college campus);

- selling activities (e.g., an insurance agent or copier salesperson hired to sell computers or software).

The relevance and importance of each type of experience vary with the nature of the sales tasks and with the amount of training the company can offer. In a given situation, consider what kind(s) of experience is truly relevant to important sales tasks, and what systems or processes (if any) the company has established to find or build this experience.

Training

Training decisions are related to a company's recruiting and selection decisions, and an aspect of sales management that tends to generate a lot of attention both within and outside the sales organization. Individual product managers, for instance, are likely to take great interest in how much training is provided the company's salespeople in the specifications and technologies of their products; while individual market managers are likely to take a similar interest in how much training salespeople receive in the demographics, buying processes, or other relevant characteristics of their markets.

But, training is also an aspect of sales management that, at many companies, is more honored in theory than practice. For example, a recent survey of sales and marketing managers found that, of nearly 1,300 respondents drawn from industrial firms in the United States and Canada, 43% said their companies did not train salespeople in selling at all, 34% solely or predominantly used internally developed sales training, and 23% used professional training services. The same survey also found that the five most preferred training topics for salespeople were identified as effective listening, closing and gaining commitment from customers, maintaining self-motivation, time management, and guidelines and techniques concerning how to cold call.[2]

In evaluating training needs in sales, at least three issues are always relevant:

- Who should be trained? In most organizations, new sales recruits receive a combination of training and orientation to company policies and procedures. But this question raises the issue of the role of training for different types of salespeople and, depending upon how market or competitive changes may have altered the nature of sales tasks, at different stages of the same salesperson's career.

- What should be the primary emphasis in the training program? Sales training can encompass 1) product knowledge, 2) company knowledge, 3) customer

[2] See "Study Reveals Sales-Training Needs of Business Marketers," *Marketing News* (July 28, 1989): 8. The study involved a series of mail surveys conducted in 1987 and 1988 by Princeton Research and Consulting Center.

knowledge, and/or 4) generic selling skills (e.g., time management or presentation skills). All may be important, but the relative importance of each type of training differs depending upon the selling situation, the feasible scope and costs of sales training, and the nature of the company's marketing strategy.

- How should the training process be structured in terms of: 1) on-the-job training and experience versus a formal and more consistent centralized program; b) field initiatives and participation versus headquarters programs; c) in-house training versus outside expertise?

Selling is finally an art, not a science or checklist of attributes; and sales training is correspondingly a very complex subject with no easy, measurable answers. But what seems clear is that effective sales training, like most types of worthwhile education, cannot be a single event. Participants need reinforcement, periodic upgrading and adaptation of pertinent skills and attributes, and the motivation and healthy self-confidence that tend to be by-products of a good developmental process. In most organizations, these important aspects of training are, de facto, the responsibilities of first-line sales management. Thus, another question to consider is the role of sales supervisors in developing their salespeople, and how well or poorly supervisors define and execute that role.

Compensation

Compensation is probably the most visible and tangible aspect of sales management and undoubtedly a factor affecting the salesperson's performance of his or her boundary role. It's therefore probably the most discussed aspect of managing selling and the salesperson. But it's not necessarily the most important. Many other factors besides money affect the accomplishment of required sales tasks; and an exclusive concern with compensation issues can often obscure from managers the larger sales context in which those issues are only one part. Nonetheless, addressing the question, "How should we pay the people responsible for customer encounters?" is a fundamental part of organizing marketing efforts, and requires attention to the following kinds of questions:

- What must the salesperson do to succeed? "Selling," directly or indirectly, is almost always a key function to be performed. But developing a compensation plan requires disaggregating this category into its constituent parts. How much of selling in a given situation is attention to delivery? price negotiations? distributor network relations? customer education? technical expertise? personal relationships? service of different kinds? cold calling? sheer persistence? Like other aspects of sales management, the compensation plan should be based on a coherent picture of important sales tasks and reinforce the salesperson's role in the company's marketing strategy.

- What is the relevant labor pool? Answering this question, important for determining general compensation levels, has two dimensions. The first is the amount and kind of compensation offered by competitors. This information is always "around" the sales office, and comparisons are inevitable. A firm with uncompetitive pay levels will inevitably lose its best sales personnel

The second dimension, which follows from analyses of the sales task, concerns the salesperson's potential influence on the buying decision and the abilities required to exert this influence. In many industries, technical skills are essential to the sales task, and this means recruiting highly trained people who often have a variety of options in different industries and in different functions besides sales. This affects pay levels independent on competitors' wage rates. More generally, however, what some economists call "transaction-specific assets" are relevant to sales compensation plans.[3] These assets are specialized knowledge and working relationships built up over time by the people selling a product, and specialized to the task of selling that product. These aspects may include technical skills or simply detailed knowledge of the decision makers and decision-making process at an important account. When salespeople have developed such "transaction-specific assets," the company's costs of losing these sales personnel may be prohibitive and this will be reflected in the compensation plan.

- What should be the salary/incentive mix? The questions here concern the relative emphasis on fixed salary versus incentive compensation (commission, bonuses, etc.). Some sales forces are straight salary and some straight commission. But surveys indicate that about two-thirds of companies with sales forces use some combination of salary and incentive compensation. The following factors tend toward a higher salary component: a) the difficulty in measuring the impact of a salesperson's performance is a reasonable period of time; b) the need for salespeople to coordinate efforts (e.g., team selling or "National Account" programs); c) the complexity and length of the selling task; d) the importance of "nonselling" activities such as after-sale services; e) the amount of missionary selling required; f) the volatility of demand in a product-market.

These factors *tend* to make salary a more important factor than incentives in the total sales compensation mix. But as some of our cases illustrate, a company can have a highly leveraged (i.e., high commission component) compensation plan and still sell highly technical, complex products in a market environment where nonselling activities and long-term relationships are important—*if* other aspects of the sales management system support the required sales tasks. Further, salary plans are easier to administer and so often the "default option" for companies that lack the information systems or managerial skills required to administer more complex compensation plans.

- What should be the form of the incentive component? Although their variations are legion, the major forms of sales compensation are few: 1) straight salary, 2) salary plus bonus, 3) salary plus compensation, and 4) compensation, with or without a "draw" (i.e., permitting the salesperson to "draw" commission in anticipation of actual sales). Bonuses and commissions are forms of incentive compensation. Bonuses are lump sums paid for the attainment of specific objectives. Sometimes bonuses are based on a quantitative formula, and sometimes on qualitative objectives (e.g., reaching certain decision makers at a key account) or administered at the discretion of a particular manager. Commissions are typically a percentage of sales volume or margins. Most companies apply a standard commission rate to all sales, while others vary the commission rate by product or category of customer in order to reflect profitability or important competitive objectives. Sometimes commissions are paid only when sales are above quota, or different commission rates are used for sales above and below quota.

Close attention to these details is important. Salespeople study the plan closely, and many look for what managers often call "loopholes" and what a salesperson might well call "the best use of

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[3] The notion of "transaction-specific assets" is developed most fully by the economist Oliver E. Williamson, "The Economics of Organization: The Transaction Cost Approach," *American Journal of Sociology* 87 (November 1981): 548-577 and in *The Economic Institutions of Capitalism* (New York: The Free Press, 1987). Applications of Williamson's theory to sales compensation in particular include George John, Allen M. Weiss, and Barton Weitz, "An Organizational Coordination Model of Salesforce Compensation Plans: Theoretical Analysis and Empirical Test," *Journal of Law, Economics, and Organization* 3 (Fall 1987): 231–251; and an interesting application of transaction-costs theory to more general issues in sales management is Erin Anderson and Richard L. Oliver, "Perspectives on Behavior-Based Versus Outcome-Based Salesforce Control Systems," *Journal of Marketing* 51 (October 1987): 76–88.

my time in order to maximize income." Apparently incidental matters, such as paying commissions when orders are booked versus when payment is received, can make major differences in the company's cash flow, order patterns, production schedules, and focus of selling efforts. Hence, close attention to the specific company context is crucial.

Evaluation

Performance evaluations are an integral dimension of the sales environment—whether or not the company has a formal, scheduled sales performance evaluation program. In the absence of defined performance evaluation criteria, the company is likely to incur significant opportunity costs in the form of poor sales personnel decisions. There are also likely to be many inconsistencies in the evaluation criteria that *are* applied, in turn leading to "mixed signals" that ultimately damage sales force morale and effectiveness.

At the same time, salesperson evaluations are particularly complex forms of performance evaluations, in part because the issues here are inextricably linked to issues considered later in the module on "Deployment, Focus, and Measuring Effectiveness." But at this point, three questions can help to guide our judgments about performance-evaluation practices in sales:

- Does the evaluation focus on actionable behavior that the salesperson can do something about? Many sales evaluation systems focus solely on sales results. The philosophy here, as many sales managers phrase it, is that "we pay for product, not for process." This approach nicely emphasizes the importance of results, not just effort or good intentions, in a sales environment. But many factors that affect sales results are uncontrollable by the salesperson (e.g., macroeconomic developments, a customer's unforeseen demise, competitive moves). Performance evaluations can encourage attention to these factors, but should focus on factors controllable by the salesperson. Otherwise, the important links among motivation, effort, and evaluation are broken.

- Are evaluation criteria consistent with the company's measurement systems and compensation plan? Even when performance evaluations focus on actionable items, that focus may be at odds with the company's measurement system for sales performance or with the criteria that actually drive sales compensation. A common instance concerns team-selling situations. In major-account situations, the coordination of different salespeople calling on different locations or levels of the same account is usually critical. As a result, account managers often spend much time and energy focusing on specific coordination issues in their evaluations of individual salespeople. But the company's measurement systems may not gather data relevant to these team-selling activities and the compensation plan often focuses on individual sales results.

- What is the nature of the performance-evaluation process and the roles of the field sales manager and the individual salesperson being evaluated? Effective evaluation processes tend to be a combination of coaching as well as appraisal, a two-way transfer of information between sales rep and sales manager as well as a set of directions and expectations from management concerning selling behaviors. But such a process relies on managers and their subordinates to communicate effectively about performance and few companies actually train sales managers in the process of giving and receiving feedback.[4] The challenge is considerable, and not only because an effective evaluation process takes time—the scarce resource in most sales organizations. Another reason is that sales environments tend to attract their fair share of highly-motivated, achievement-oriented, strong-willed individuals; and as others have pointed out, "no amount of human relations techniques can change the fact that evaluations represent the exercise of power and authority by superiors over subordinates."[5]

Nonetheless, without a good process, the result of performance evaluations can often be demotivation or, perhaps worse, motivation to perform the wrong type of sales effort. Our goal may be to "pay for product, not process"; but in most sales environments, if we ignore the process of performance evaluations, we often don't get what we've paid for.

[4] For more detailed discussions of this important topic, see John Anderson, "Giving and Receiving Feedback," in G.W. Dalton et. al., editors *Organizational Change and Development* (Homewood, Ill: Irwin, 1970), pp. 339-346; Michael Beer, "Performance Appraisal: Dilemmas and Possibilities," *Organizational Dynamics*, 9 (1981): 24-36; and Linda Micheli, Frank V. Cespedes, Donald Byker, and Thomas J.C. Raymond, *Managerial Communication* (Glenview, Ill: Scott, Foresman and Company, 1984), Chapter 5, pp. 105-126.

[5] D.W. Brinkerhoff and Rosabeth Moss Kanter, "Appraising the Performance of Performance Appraisal," *Sloan Management Review*, 21 (1980): 8.

MANAGING MAJOR ACCOUNTS

(F.V. Cespedes / #9-590-046 / 11 p)

Summary

Certain strategic customers require special account management policies and practices. In this note, the author shows sales managers how to identify major accounts, analyze the buying process at these accounts, understand the buyer-seller relationship, and manage the coordination of these accounts.

Outline

Major Accounts
Account Selection
Analyzing the Buying Process
Developing Buyer-Seller Relationships
Sales Coordination

Learning Objectives

- Understand how major accounts are selected.
- Analyze the buying process at their major accounts, identifying key players and their relative importance in the process.
- Understand the five phases of the buyer-seller relationship.
- Assess how well their training, evaluation, and compensation programs support the sales coordination requirements of some major accounts.

Questions, Ideas, and Exercises

1. Do you have a well-defined set of criteria for identifying major accounts? What is the process by which an account moves to major account status, and who is involved in this process?

2. Have you ever analyzed the buying center of your major accounts? Do you know who the key players are, their relative power in the purchase process, and their priorities? Do your salespeople periodically reassess the buying centers at their major accounts?

3. Do you have a sense of the life cycle of your major accounts? Are you aware of periods of growth and decline, and do you alter your pricing, product policy, and distribution arrangements accordingly?

4. Consider how your salespeople coordinate relationships within your company and within their major accounts. How do your most effective salespeople achieve this