Rethinking Sales Management

A strategic guide for practitioners

Beth Rogers

BICENTENNIAL 1807 WILEY 2007 BICENTENNIAL

John Wiley & Sons, Ltd

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Other Wiley Editorial Offices

John Wiley & Sons Inc., 111 River Street, Hoboken, NJ 07030, USA

Jossey-Bass, 989 Market Street, San Francisco, CA 94103-1741, USA

Wiley-VCH Verlag GmbH, Boschstr. 12, D-69469 Weinheim, Germany

John Wiley & Sons Australia Ltd, 42 McDougall Street, Milton, Queensland 4064, Australia

John Wiley & Sons (Asia) Pte Ltd, 2 Clementi Loop #02-01, Jin Xing Distripark, Singapore 129809

John Wiley & Sons Canada Ltd, 6045 Freemont Blvd, Mississauga, ONT, L5R 4J3, Canada

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

Anniversary Logo Design: Richard J. Pacifico

Library of Congress Cataloging-in-Publication Data

Rogers, Beth, 1957-
Rethinking sales management : a strategic guide for practitioners / Beth Rogers.
p. cm.
Includes bibliographical references and index.
ISBN 978-0-470-51305-7 (cloth : alk. paper) 1. Sales management. I. Title.
HF5438.4.R64 2007
658.8'1 – dc22
2007019144

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN 978-0-470-51305-7 (HB)

Typeset in 11/15 pt Goudy by SNP Best-set Typesetter Ltd., Hong Kong
Printed and bound in Great Britain by TJ International Ltd, Padstow, Cornwall, UK
This book is printed on acid-free paper responsibly manufactured from sustainable forestry in which at least two trees are planted for each one used for paper production.

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Foreword

The life of a sales manager has never been easy. In the early 1980s, a study inside Xerox Corporation showed that their sales managers would need to work for an average of 29 hours each day to fulfill all the requirements of their job description. Only one-third of the job description items were about selling or managing salespeople; the rest were mostly administrative. But, if you ask anyone who was around in those days, they'll tell you that although sales management was hard work it certainly wasn't intellectually demanding. There was little that was strategic about the sales manager's job. In one of the 10 largest business-to-business salesforces in the United States, new managers were given this advice:

> The sales manager's job is to get more calls, get more demos, get more proposals and get more closes. This means pushing your people hard. Nothing else works. You'll find that using your muscle beats using your brain . . . Selling is a numbers game. Push the more button; push it hard, push it often and keep pushing it.

From the lofty perspective of a new century we can look back at this approach to selling and feel smug about how quaint and naïve it sounds. Yet, at the time, it was probably the best advice available. Where could a new sales manager go for help? Training was hard to find – and even if you found it, it didn't help you much. Even the best companies were teaching questionable techniques. Along with tips on how to dress to impress, IBM's sales training was putting great emphasis on the initial few seconds of the call. "It's what you do in the first 20 seconds that will make or break your success" they assured a generation of salespeople selling multi-million dollar mainframe computers. Managers were advised to rehearse their salespeople's opening "patter". They practiced their teams in how to give a firm handshake, but not ***too*** firm, and a wide smile, but not ***too*** wide. Xerox, generally admired at the time for its sales training, was still teaching its top major account salespeople primitive closing techniques that today even the proverbial used-car salesperson would be ashamed to use. And most other companies were worse. I worked with one salesforce where training taught new salespeople never to allow customers to speak because "if you let customers talk they will create their own doubts".

I don't want to labour the point, but it's clear that selling has come a very long way since those dark ages. Over the last 25 years, selling has evolved into a discipline or, to use a generally misunderstood term, it has become a science. By 'science' I don't mean a cold and calculating impersonal process that is the sworn enemy of art. I mean, specifically, that a science meets five criteria:

- A science is based on a body of tested knowledge that helps us to understand and predict the world.
- A science uses an approach based on facts, not on superstitions or suppositions.
- A science has a set of teachable skills, models and concepts, that can be ***learned*** through education and training.
- A science has developed a means of objectively researching and testing relevant ideas and theories.
- A science has a set of methods for measuring and improving the skill of its practitioners.

Twenty five years ago, nobody could argue that the sales profession did a good job of meeting any of these criteria. At best selling was a partially understood craft; at worst it was a bundle of superstitions – "a blue tie will increase your sales" or "if, during your presentation, the buyer crosses his leg and it points toward the door you have lost". Imperceptibly, year by year, this kind of folklore has been supplanted by fact. Naïve methods have become sophisticated. Nobody today argues that muscle is more important than brains. In short, the sales profession has grown up. Measured against my criteria, sales can, at last, make a claim to be a business science on a level with its great rival, *marketing*. We no longer have to rely on the folklore of old. We now have well-researched and validated models of effective sales behavior that stand up to scientific scrutiny. My own work, which studied 35,000 sales calls in 23 countries, would be one example of how a measured scientific approach has paid dividends. We now know, from the work of researchers, the sales skills that are most effective, and we can teach them, coach them and measure the improvements that result from them.

But it's not just researchers like me who have advanced the sales profession. Technologists and systems designers have played an increasingly important role. We finally have Customer Relationship Management (CRM) systems that are radically changing the way we sell. First-generation CRM, in the 1990s, was a disaster for sales. It was created by programmers, and was cumbersome and time-consuming. In most cases these early CRM systems didn't generate enough extra revenue to pay for their high installation costs. Rightly, they met with resistance and sabotage. "Electronic lies are no better than manual lies" complained one sales manager from an insurance company. CRM built itself a justifiably bad reputation as a time waster that took salespeople away from customers in order to spend hours each week filling in user-hostile electronic forms.

Then came a second generation of CRM with greater utility. These newer systems delivered better salesforce management data, better forecasting and improved ease of use. We're now seeing the emergence of a third generation of CRM systems which allow coordination of complex global accounts and which provide tangible benefits to salespeople and customers alike. These third-generation systems also allow the use of effectiveness analytics – a fancy way to describe the capacity to test hypotheses by interrogating the CRM database. So, for example, many leading companies, particularly those in technology, are building intelligent engines to mine their CRM data for useful correlations that let them build better predictive selling models. For example:

- A software company found from their CRM data that when one of their senior executives made a customer visit at the pre-proposal stage the chances of a contract increased by 18%.

- A control systems supplier discovered that their chances of success almost doubled if they set up face-to-face meetings with purchasing before the RFP was issued.
- An optical reader manufacturer analyzed their CRM data and found that involving their technical people in the sale didn't make any difference when the customer was a bank, but increased the success rate to other financial services customers by 32%.

The list goes on, but what's important here is the method. This is Science with a capital 'S'. It's systematic hypothesis testing and knowledge building. And this kind of approach to model building from CRM data will play a bigger and bigger part in the future of selling.

Another transformation in the sales profession has been the development of better pipeline management models. Sales managers today would be lost without sales funnels that break down the selling cycle into manageable steps that let them predict and forecast how the sales opportunities they manage are progressing through a pipeline. Again, this has evolved greatly over the last 20 years. Writing in 1987, I complained that most pipeline models were based on how suppliers wanted to sell, not on how customers wanted to buy. In 20 years pipeline management has progressed from this simplistic view of the selling cycle. Today's pipeline models are customer responsive. A manager who understands metrics can use them to forecast, to diagnose performance problems, and to target coaching help.

I could catalog many other changes that have transformed the field of sales into a business science. For example, new channel strategy models have altered the role of salesforces and brought clarity to how face-to-face selling works with other channels to create customer value. New strategy models, especially in key account and global account selling, have turned planning into a truly strategic process and raised the bar for sales management. The integration of sales and marketing had brought important concepts into selling, such as segmentation and value propositions. All these changes mean that a sales manager today can no longer survive as a seat-of-the-pants generalist.

In saying this, I wish I could be confident that I was preaching to the converted. It should be self-evident that sales management is a sophisticated activity, light-years away from the old "cheatin', lyin' and stealin'" stereotype of selling. Unfortunately, the evidence is that old stereotypes persist, even in the most unlikely places. What has prompted me to write this Foreword – beyond giving support to Beth Rogers' excellent book – is a sense of outrage about how sales management is seen in high places. Let me be very specific: the way in which sales is viewed by many Boards of Directors is, at best, dangerously naïve and, at worst, a business disgrace. I'll give you an example. I advise the Board of a public company in the United States. Three years ago, at my first meeting with the Board, they were discussing how to fill the vacant position of Chief Marketing Officer. The issue was one of qualifications: would a general MBA be acceptable in an otherwise qualified candidate or did the sophistication of marketing demand a specialized MBA in marketing? It was a good and useful discussion. Last year the VP Sales job needed to be filled. The same individuals who had argued so convincingly that a specialist MBA was a prerequisite for the Marketing position seemed quite content to accept VP Sales candidates with no qualification beyond track record. When I pressed them they told me that while marketing was a science, sales was just a craft. Shame on them! How are we ever to develop a generation of sales managers who can prosper in today's sophisticated selling world if senior management think like that?

I'm being hard on the Boardroom here – perhaps too hard. My clients did have one very convincing defence. "And where do you suppose we would find a candidate with an MBA specializing in sales?" they asked me. It's a fair point. As far as I know, such an animal doesn't yet exist. Although there are dozens of Marketing MAs in the USA and Europe I don't know of an equivalent in Sales. In Europe, only the University of Portsmouth has a mature Sales Management programme at Masters' level.

It's a chicken and egg problem. Top management doesn't demand academically qualified candidates because there are none. Business Schools, on the other hand, have been reluctant to introduce MBAs in Sales until there's demand from companies. Each is waiting for the other. A pox on both their houses, I say. While we wait, the sales field becomes ever more complex and the need for advanced business education in sales is ever more urgent. Sooner or later the dam will break.

What can an ambitious sales manager do in the meantime? It's not as if help is easily available in terms of articles and books. Last year I carried out a survey of books published in the sales field. I started with a raw count. There have been more than 5,000 books written for salespeople but less than 50 for sales managers. Of these sales management books, most are simplistic and tactical. There's only a handful of strategic books to help sales managers to cope with the complexity of today's sales challenges. This is one of them.

When I pick up a book on sales management I have a simple test to help me to assess in 30 seconds whether it's worth reading. I flick the pages and look at the pictures. If I see no diagrams, no graphs and no models I can usually make an accurate prediction that the book is of the old school. It will be the usual mixture of war stories and seat-of-the-pants advice. That sort of book was good enough 20 years ago. It's not good enough today. Try it with this book. You'll find your eye skimming over facts and figures; you'll see charts and diagrams; you'll find strategic models. That's the kind of book we need. Thank you, Beth Rogers, for writing it.

Neil Rackham
Visiting Professor
Portsmouth Business School

Acknowledgments

For the most part, writing a book is a solitary and difficult endeavor, so it is particularly satisfying to be able to thank all the people who have helped to make it more sociable and achievable:

First and foremost, I am very grateful to my mentor Neil Rackham – Visiting Professor of Sales Management at Portsmouth Business School and author of many inspiring books – for his constant encouragement, advice and practical help. I would also like to thank everyone at John Wiley & Sons Ltd involved in the production of the book.

Further, I would like to thank the following: my colleagues and students at Portsmouth Business School, who have encouraged me to pursue my specialist knowledge of sales management (www.port.ac.uk/pbs); the alumni of MA Sales Management (Portsmouth); The Institute of Sales and Marketing Management – it is an honor to be a Fellow and the Research Director of the ISMM (www.ismm.co.uk); Brian Lambert, CEO, United Professional Sales Association (www.upsa-intl.org); Professor Malcolm McDonald and Dr Tony Millman, who, apart from providing references for this book, chose me to undertake Cranfield School of Management's first research project on the subject of key account management in 1994.

I am also grateful for the assistance of former colleagues from the Cranfield Marketing Planning Centre, especially Professor Lynette Ryals, Professor Hugh Wilson and Terry Kendrick, who have also made direct and indirect contributions; John Andrews, and all members of the Sales Training

Association; The Marketing and Sales Standards Setting Body, including Chief Executive, Chahid Fourali and all the members of the Sales Steering Group (www.msssb.org); Ian Corner, an expert on CRM/SFA implementation; Dr Kevin Wilson, for establishing the Sales Research Trust.

I must also express my gratitude to all the following people and organizations who have given specific permission for models and quotations: Professor Tim Ambler, London Business School; The American Productivity and Quality Center, Houston (www.apqc.org); The Association of the British Pharmaceutical Industry; Avaya (www.avaya.com); Bain and Company, New York (www.bain.com); Peter Bartlett, Value Care Partners Ltd (www.valuecarepartners.com); Renee Botham, Managing Director, Touchstone, London (www.touchstonegrowth.com); The Service Sector Statistics Division, Bureau of the Census; The Caux Round Table, Saint Paul, MN, Den Haag, Tokyo, Naucalpan (www.cauxroundtable.org); The Chartered Institute of Purchasing Supply (www.cips.org); Val Heritage, The Communication Challenge Ltd (www.communicationchallenge.co.uk); Hugh Davidson, Visiting Professor, Cranfield School of Management; Don Baker, Editor, *Dayton Business Journal* (http://dayton.bizjournals.com); Jim Dickie, Managing Partner, CSO Insights (www.csoinsights.com); EICC (Electronic Industry Code of Conduct: www.eicc.info); Gartner Group (www.gartner.com), especially Ed Thompson, CRM/SFA expert in Europe; Antonella Grana of AIDA* Marketing e Formazione, and AIDA clients PEMAGroup/Metalpres and Vagheggi Spa (www.aidamarketing.it); Professor Andres Hatum, Comportamiento Humano en la Organizacion, Buenos Aires, Argentina (www.iae.edu.ar); Terry Kendrick, University of East Anglia; Philip Lay, Managing Director, TGC Advisors LLC, San Mateo, CA (www.tgc-advisors.com), publisher of *Under the Buzz*; Emeritus Professor Malcolm McDonald, Cranfield School of Management; Olympus Medical, Center Valley, PA (www.olympusamerica.com); Dr Tony Millman; Tim Mutton, Managing Director, TPM Marketing and Consultancy Ltd (www.tpmmarketingandconsultancy.co.uk); Professor Nigel Piercy, Warwick Business School; Ronald Stagg, Director of Corporate Services, Purchasing Management Association of Canada, Toronto (www.pmac.ca); Professor

* AIDA is an ISMM accredited training center based near Venice, with a mission to develop the best training for Italian managers and entrepreneurs to enable them to compete in the home and international market.

Lynette Ryals, Cranfield School of Management; Professor Asta Salmi, University of Helsinki, Finland; Dr Christoph Senn, Columbia University; Professor Benson Shapiro, Harvard Business School; Mike Smith, Director, Tennyson, Chichester (www.tennyson.uk.com); David Evans, Managing Director, Research, The Supply Chain Executive Board* (www.sceb.executiveboard.com); TACK International, Chesham, Bucks, UK (www.tack.co.uk); Ken Teal, Wessex Innovation Service (http://www.shealtd.co.uk); David Todman, Sales and Marketing Director, APV; Professor John Ward, Information Systems Research Centre, Cranfield School of Management, and lead author of "Benefits management: delivering value from IS and IT investments"; John Wilkinson, University of South Australia (www.unisa.edu.au); Professor Hugh Wilson, Director, Cranfield Customer Management Forum (www.cranfield.ac.uk/som/ccmf); Stuart Morgan, Editor, *Winning Edge*; Robert L. Reid Jr, Director of Procurement and Risk Management, Winthrop University, Rock Hill, South Carolina; Diana Woodburn, Marketing Best Practice Limited (www.marketingbp.com).

I would also like to thank all the authors whose work I have referenced in the text and the bibliography; and also all the companies, organizations and business professionals who take part in research to enable the public knowledge of best practice to be developed.

* A division of the Corporate Executive Board. A provider of business research and executive education based in Washington DC.

About the author

Beth Rogers is regarded as a leading thinker on the topic of sales management, and is also sought out for her ability to provoke the thinking of others. She manages the primary postgraduate program for sales managers in Europe. Beth is also Research Director of the Institute of Sales and Marketing Management, and a Fellow of the Royal Society. She was elected Chair of the UK Government's National Sales Board in 2005, and was instrumental in the launch of National Occupation Standards for Sales in the UK.

Her extensive practical experience in both sales and marketing in the information technology sector has been supplemented by in-depth consultancy in a variety of organizations, together with research and teaching. She has worked with major corporations in Europe, the USA, SE Asia and Australia, and with small businesses in the South and South-east of England, both in manufacturing and services. Beth has also contributed to public and voluntary sector organizations.

Beth is a popular author and speaker on sales management. Her previous books include co-authorship of *Key Account Management – Learning from Supplier and Customer Perspective*. She has written many articles on sales and marketing-related topics over the past 18 years, and is a regular contributor to *Winning Edge*. She has also provided comment for the *Daily Telegraph* and *Sunday Times*.

Beth works with employers, her alumni, professional institutions and fellow experts to raise the profile of the sales profession.

Introduction

"Everyone lives by selling something"

Robert Louis Stevenson, Scottish essayist (1850–1894)

It is hard to imagine anything more fundamental to the economy than selling. It makes the world go round. Or, if you want a formal governmental definition:

> *The sales function "creates, builds and sustains mutually beneficial and profitable relationships through personal and organizational contact".*
>
> Quoted with kind permission from
> The Marketing and Sales Standards Setting Body, UK

If you have chosen this book you probably agree with me that it is about time that salespeople and sales managers had equal esteem with other professionals. Unfortunately, around the world, from the USA to Japan, and from New Zealand to Sweden, selling is regarded as an occupation not worthy of much respect – an occupation on a par with politics and tabloid journalism.

Unfortunately (and the research has been done to prove this), selling has been consistently negatively portrayed by scriptwriters for over 100 years. They have given us Willy Loman, Herb Tarlick and Delboy Trotter. The most we can hope for a stereotypical sales character is that he (and they are overwhelmingly male characters) may be lovable as well as being a rogue!

In the sales profession we have to be aware that when selling is bad, it is horrid. Companies have a significant challenge to rise above the negative stereotypes and occasional real-live scandals and develop sales professionals who are very, very good and command respect. There is considerable support for salespeople, from organizations such as the United Professional Sales Association, the Strategic Account Management Association, the Institute of Sales and Marketing Management and other professional and government-sponsored bodies. The UPSA's Compendium of Professional Selling and the UK government's vocational standards for sales are freely available to any sales manager or salesperson.

There are more salespeople than accountants, engineers, lawyers and marketers. Selling takes place in all industries and in some public sector organizations. Millions of people are full-time salespeople (15 million in the USA alone) and millions more recognize selling as part of their job. Despite many years of marketers trying to sideline the sales function as operational, tactical and in decline, the sales profession is in fact thriving in terms of quantity and quality. Nevertheless, sales has been the Cinderella of the management world for a long time. Yet what could be a more worthy topic of discussion than the way in which a company makes its revenue?

Many businesspeople say to me that the strategic management of supplier–customer relationships is "the next big thing" that companies needs to address. In studies going back many years, chief executives have recognized that the sales managers' responsibility for handling the customer interface can be the most important thing in generating company success. With inspired leadership and the right application of skills and systems, strategic relationship development can deliver competitive advantage. Companies are starting to realize that they cannot manage customers or even key accounts because the power of customers gives them the means to "manage" back. So where do they go?

They go back to the drawing board and take a good hard look at "the art of the possible". Supplier strategy cannot drive customers, but there are pathways for mutual gain. The greatest advocates for strategic sales management companies who are designing those pathways are their customers. Whether they long for low-touch, remote and transactional relationships with particular suppliers for particular goods and services, or whether they want a joint venture with others, customers appreciate the suppliers who understand their needs and develop the capabilities to meet them.

The main reason why selling should be respected, and the key to its success, is the rare skill of "boundary-spanning" – understanding the customer's point of view and reconciling it with the needs of the company for profitable growth. That is a complex activity to manage, and this book alone could not possibly provide all of the answers, although it does offer some possible solutions and provide signposts to others. It is here to facilitate the strategic thinking that sales managers have to apply in 21st-century businesses.

However, not all sales managers have been prepared for this role. Customers cry out for more highly skilled salespeople and sales managers, but investment in sales skills (worldwide) is only just starting to improve. Of course, many sales managers have succeeded by learning from experience. With experience in industry and self-employment besides teaching, I appreciate "the university of life" and its relevance. But sometimes life can be a lot easier if we take time out to think.

This book is a summary of "state-of-the-art" strategic sales management thinking, designed for practitioners who recognize that a bit of knowing can accelerate the success of a lot of doing. It is based on extensive consultation with sales management professionals, employers, sales management experts and professional institutions. It is short and succinct because sales managers are busy people with limited time to read. But as sales managers also travel a lot, they can consider this knowledge as a traveling companion to dip into when their plane is delayed or the freeway is gridlocked.

This book is divided into three parts.

Part I is about business strategy. If, as a sales manager, you are going to impress your chief executives, and if you are going to coach your account managers to impress their Board level contacts in customers, a solid grounding in business strategy is necessary. I've had the pleasure of seeing some of my students go from being account managers at graduation to Sales and Marketing Director within three years. That's because they had invested in developing their general understanding of business and sales strategy together with their analytical and creative thinking skills.

Chapter 1 introduces the strategic language of organizations and what sales managers need to know about it in order to take part in strategy formulation. If you are going to lead your sales team to greater achievement, a certain way of getting customers' attention is to understand their point of view. You need to know how a purchasing manager develops purchasing strategy. You and those you coach will start to recognize where value matters to the buyer and where it does not.

Chapter 2 demonstrates the purchasing professional's strategic tools. Research suggests that purchasing decision-makers think that suppliers do not understand their needs. This chapter gives a purchaser's view of suppliers – how they are categorized and how your performance as a supplier is measured. This is essential reading for superior "boundary spanners".

What about your own strategy? You need your own strategic tool to stimulate your thinking. Following a long development path since the first matrix was designed for B2B sales in 1982, this book offers a simplified approach to mapping customer relationships to classify their investment requirement. Chapter 3 discusses the relationship development box – a tool for strategic sales management, which identifies different categories of relationship and shows how different sales models are appropriate for each.

Part II is about those different categories of business relationships and sales models. Making mistakes with strategic relationships is possibly the most career-retarding thing a sales manager could do, so let's avoid them! The customers with whom we most want to deal tend to draw resources and management attention, but have you realized that the customer also regards the relationship as strategic? Are you able to lead company resources allocation in other departments in a way that meets the customer's needs? Chapter 4 looks at developing strategic relationships.

Customer retention is an important objective in a difficult economic climate, but as your company also needs growth you can never stop trying to find new customers. Even the best-managed strategic relationships can run out of steam, so where are the next relationships to come from? Chapter 5 looks at prospective relationships, and discusses what is known about the dynamics of buyers' switching behavior and what is needed to motivate change. It also explains how to avoid the pitfalls of wasting money on acquisition quests, and presents criteria for success. Different resourcing models are also explored.

Most companies have a large number of customers that may admire the brand, but they only need your product in small quantities or for occasional use. Good sales managers do not neglect them. For many valid reasons, these "tactical" customers do not need a strong relationship with you as a supplier.

Your strategy should be focused on the distributors, business partners or outsourcing partners who can serve these customers better than you can. Chapter 6 looks at successful ways to work with partners, and the use of desk-based selling (telesales and web-driven sales) as options for success in this category.

The most difficult strategic decision a sales manager has to make is to distinguish between strategic and "cooperative" relationships with customers. Even if a customer buys a lot from you, and even if the relationship is cordial, it may not be growing, so investment is not appropriate. The customer may need your product or service, but behave in an adversarial way about it, in which case it is unwise to invest where switching probability is high. How then do you restrain yourself, and allocate resources effectively in this most difficult of categories? Chapter 7 looks at "cooperative" relationships. How do you classify these customers that you want to keep, but who are not investment prospects? How can you achieve cooperation in situations where conflict seems inevitable?

Some business relationships will break down – for a variety of reasons, good and bad. Risks, after all, can be opportunities as well as threats. As a strategically minded sales manager, you need contingency plans for these situations. Chapter 8 examines exit strategy. Business relationships do not last forever and you need to know when to quit and how to respond to customer defection.

Part III looks at some of the new skills you as a sales manager require to respond to the 21st-century world of strategic selling. A lot has been written about training, forecasting and compensation schemes. This section of the book looks at some new challenges and how to address them.

Some people would argue that a company's most valuable and most intangible asset is its reputation. Salespeople are standard-bearers of the company's reputation. You are expected to ensure high standards of behavior, despite the contradictions presented by some of the targets that salespeople are given. Chapter 9 discusses reputation management, corporate governance, and how this affects you in managing the sales function.

"Of course, we salespeople do the best we can, but the marketing department gives us such lousy leads." If you want to be taken seriously by Board members, start talking to marketing and get these problems sorted out. Marketing can only support sales, and sales can only contribute to better marketing if there is dialogue and teamwork. As a strategically minded sales manager, you need to be leading that. Chapter 10 reviews sales and marketing integration, from mutual respect and strategic alignment to day-to-day operational co-working.

Do you know how important it is to the motivation of your salespeople that they respect you as a leader? The research evidence is overwhelming. Sales managers with concern for their people as well as the tasks they have to achieve are the most successful. Chapter 11 examines the sales manager/account manager as a team leader. The sales manager not only needs to think strategically and maintain a long-term view, but also has to guide a large team of salespeople who themselves are teaming with other parts of the company. This chapter discusses ideas about leadership and the skills required.

You might want to do something about leading, but no one wants to do anything about processes. You don't have to do any "processing" yourself; but you do need to know how to mentor a process expert to make sales processes work for you and your team, rather than frustrate you. Chapter 12 covers sales process management and the impact of technology. Streamlined processes must underpin each sales department, and by preventing the mismanagement of resources through quality processes, sales managers can reap the benefits of effectiveness and efficiency.

So, read on, dip in and, above all, enjoy!

PART I

Strategy

For decades sales has been stuck in an operational silo. "Go out and get the numbers!" How bizarre. What is the top line on a Profit and Loss Account? Yes – sales. What happens to the bottom line without a top line? It goes negative.

Looking after the top line is what sorts the winners from the rest. Therefore a lot of companies are starting to manage the delivery of the top line strategically.

That's good news for you as a sales manager. But if it is going to be good top-line strategy, you have to contribute to strategy formulation, not just implement it. That involves you in three issues:

1. You need to understand strategy in general.
2. You need to understand the strategic input of purchasing decision-makers in your customers.
3. You need to have your own strategic tool for analyzing business relationships.

1

The big picture

"When people talked about 'Sales Strategy' I used to laugh. As an oxymoron, even 'Military Intelligence' paled in comparison. In those days, 'Sales Strategy' was nothing more than simple tactics ruthlessly executed. But that was then. Today the wrong sales strategy sinks companies."

Neil Rackham in *Sales and Marketing Management*, Spring 2000
Reproduced with kind permission from Professor Neil Rackham

The place of sales in business strategy

The role of marketing has been hotly debated over the years, whether it is strategic, tactical, or not even necessary. The role of sales is rarely questioned. Ever since Stone Age tribes traded pots for shells, selling has been necessary. Of course, you cannot have a seller without a buyer, but more of that later.

The evolution of business in the 20th century favored those with professional qualifications such as accountants, who frequently made the switch from money management to general management at Board level. Marketers too, armed with MBAs and compelling concepts like branding and segmentation, became more strategic and also jostled for a place on the Board. Not so sales. Most Sales VPs got on with selling, consoling themselves that the monetary rewards of selling provided a more attractive prize than power. Nevertheless, company politics did not go away. As soon as a quarterly target was missed, the sales force became the reason for the failure of the business strategy.

Can sales continue to sit on the strategic sidelines? In this era of customer orientation, it is more important than ever that sales managers should be involved in strategy-making, despite assertions from some business gurus that marketing is strategic and sales is operational. Who else but salespeople are close enough to understand the relevant decision-makers in the customer organization? If a company truly wants to align its strategy with customers' strategies, it is no longer appropriate for salespeople to be the tactical, operational doers, whose feedback is filtered through layers of management and skepticism.

In this era of customer orientation, it is more important than ever that sales managers should be involved in strategy-making, despite assertions from some business gurus that marketing is strategic and sales is operational. Who else but salespeople are close enough to understand the relevant decision-makers in the customer organization?

Professor Nigel Piercy and Nikala Lane at Warwick Business School have identified ways in which the sales function contributes to strategy-making, and call it the five Is: – involvement, intelligence, integration, internal marketing and infrastructure development. We will discuss many of these functions in Part III, with a specific focus on infrastructure development in Chapter 12. At the moment, let's just look at the big picture.

Intelligence is the easiest to discuss. Professional salespeople should be closely scrutinizing the customer and their business environment and applying their skills to selective supplier–customer relationship development. Some companies may assume that marketing does all that research, and for some categories of relationship, an aggregation of information about customer needs may be all that is necessary. But in business-to-business, many customers are large and complex, and the account manager's understanding should be complete.

The account manager can identify opportunities for relationship development with certain customers, but operations have to deliver it. That's where internal marketing is essential, but it also leads on to involvement and integration. If sales is not involved in strategic decisions at the same level as operations, what does that say about the status of the organization's knowledge of the customer? Sales can only be integrated into the rest of the organization when it is represented at the highest decision-making level. Where else can sales explain what customers are doing, and how the organization can add value?