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Restructuring A Sales Force for the Modern Marketplace

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Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania

Advisor: Larry Starr

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Abstract
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by

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ABSTRACT

The purpose of this thesis is to examine the function of the sales force and how modern times require organizations to rethink how to best use the sales force. Areas such as the use of technology, territory alignment, and training of sales people are discussed as they relate to the marketplace. The culture of sales organizations is reviewed to assess whether they are structured to manage major changes that will assist in yielding benefits and reaching strategic objectives. In addition, I describe the degree to which organizations require warning signs before a change is made and explore whether they should make a change before warning signs are seen. I conclude with a commentary on whether it is time for a change even if the sales organization is operating well.

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CHAPTER 1

INTRODUCTION

For many for-profit and some not-for profit organizations, the sales force is the primary vehicle for presenting their products and services. Establishing and sustaining positive and effective relationships and other organizational activities between sales personnel and the buying customers is essential to meet financial and other organizational goals. For the business reader, many books and articles are available that address components of selling including preparing how to sell, how to carry out a sales presentation, and identifying or managing the characteristics of a sales person, but little general advice about how the many sales elements synthesize for a sales organization exists.

At one time, little effort was devoted to the developmental or other needs of managing a sales force. Entry characteristics were weak although the requirements that one sell were clear. The sales force model has changed over the years due to many factors which include: innovation/improvements in technology; economic development; increased competition in the marketplace; the sophistication level required to sell products; and/or a better trained sales force. As alluded to by Babakus, Cravens, Grant, Ingram, & Laforge (1996), these factors have changed the model of the sales force and continue to cause it to morph to fit its current environment.

Purpose of Thesis

The purpose of this thesis is to suggest how to restructure a sales force into one that is more effective for the modern marketplace. I address the significant characteristics that affect organizations operating in the modern marketplace and that are required in order to compete and thrive. This paper does not focus on any specific sector, industry, or organization.

In Chapter 2, a literature review of selling is presented. This will generate the topics that are most important for effective sales and competitive advantage. Placing sales people who will effectively implement the strategies created is essential. Without this key component in place, the effort to restructure a sales force could be hindered. Due to the complexity of the products and services being sold today, old models and strategies no longer are effective.

In Chapter 3, resource placement, that includes structures of support and integration with other organizational departments and goals, is discussed. In particular, I focus on what the organization is searching for in its talent and cross-functional mentoring for talent development.

In Chapter 4, training of a sales force is discussed. This includes not only the curricular considerations but also the delivery methodologies. In many organizations, sales force training tends to focus on product knowledge, understanding competition, and knowing client needs. This information is important since it is part of the sales processes but in the modern marketplace, the knowledge curve has increased and there are other components that should be included. These include: business analytics training; the use and meaning of data to develop a thorough business plan; the essentials of a solid business plan including purpose and uses; business scenario training; and case study discussions.

In Chapter 5, territory alignment and its design are discussed. Territory alignment is an important topic as so many organizations operate globally. At one point, a sales person was provided with a map and a phone book and proceeded into the world to cold call wherever he/she could. Times have changed, and in many industries protected territories are created, which mean sales personnel are assigned specific territories in which to promote products and/or services by their organization. Further developments have created territory alignments that define a territory based on sales potential, workload balance, and other factors. The alignments are designed to make the sales person more productive. In this era of doing more with less, territory alignments become more important.

In Chapter 6, compensation is discussed along with a review of the strengths and weakness of the compensation model. The compensation model is what drives sales people. What do I get paid on? What is the bonus structure for the year? In any organization that has a sales force, these are questions heard frequently. The compensation model is what motivates sales personnel to want to perform. In some organization, it is straight commission, salary plus bonus, or some type of hybrid mix of the two. Reaching the organizational sales goal can be directly tied into how the compensation model is created.

In Chapter 7, information is presented on mobile technology and its use by the sales force for enhanced productivity. Technology has been one of those components that has been used in the sales area but has not been identified as an essential need in developing an effective sales force. Some people rely on their Blackberry while others still use paper and pen. Beyond the delivery of email and text messaging, organizations still have not figured out how to use technology as a productivity tool with the sales force. Technology can be used as a mechanism to collect metrics in order to gauge success with various planned objectives. As an example of how an organization can use technology, consider the following scenario. Sam Jones from Test Company just had an outstanding meeting with one of his clients. The client told Sam his proposal sounds good and if he can provide 1000 units by close of business tomorrow, they could get the deal signed. Sam leaves the meeting feeling great but concerned about obtaining that many units in a short time span. Sam begins making calls to see if they have 1000 units in inventory that can be delivered tomorrow. Susan Tate from Upstart Company meets with Sam's client right after he departed. The client was impressed by her presentation and told her if she can provide 1000 units by close of business tomorrow, he would sign the contract. Susan produced a tablet PC from her bag, searched the company inventory, and located a nearby distribution center that could ship the 1000 units for delivery tomorrow morning. The client signed the contract. Sam comes back just as Susan is leaving only to find that he lost the deal. This scenario may sound out of the ordinary but it does happen. One organization links its technology to the sales objectives and provides the technology to support the sales objectives, while the other did not link sales objectives and technology.

In Chapter 8, a recommended approach for the organization to assist with the cultural shift that is required to support the restructure of the sales force is presented. The success of the sales force depends on the culture of the organization and its ability to adopt change. A review of a successful sport franchise provides examples of change. The Chicago Bulls were a very successful organization during the Jordan era. Observe how that team was put together. The conventional model of National Basketball Association teams focused on having a dominate player in the center position surrounded by complementary players. This model worked well for the Boston Celtics (Robert Parrish played the center position) and the Los Angeles Lakers (Kareem Abdul Jabbar played the center position), each having won a number of World Championship titles. The Chicago Bulls did not possess a dominate center, so in order to be competitive, the Chicago Bulls restructured its model. The model they created, referred to as "The triangle offense," did not rely upon a dominate center, but utilized the skills of the most talented player in the game. This model enabled the Chicago Bulls to win six NBA championships and serves as an example of a cultural change that did not align with the conventional philosophy, yet produced an even more successful championship model for the Bulls' organization.

CHAPTER 2

SELLING AND THE SALES FORCE

Background

To understand the 21st century conceptualization of selling and the sales force, history, as noted by Friedman (2004), is relevant:

> The birth of modern salesmanship occurred in the decades around the turn of the century. Entrepreneurs at the vanguard of selling, who developed modern sales techniques, created procedures for management that paralleled those of the new science of mass production. With the rise of mass manufacturers in the United States, salesmanship became of interest to psychologists, economists, ministers, and politicians. The country, as envisioned by the pioneers of the modern selling, now comprised sales territories. Citizens were not steelworkers, bankers, or housewives, but prospects. Others nations around the globe were not allies or enemies, but trade opportunities. (p. 3)

From 1960-1990's, a typical company would commonly provide marginal training to its sales personnel. As discussed by Friedman (2004), sales personnel were taught the art of persuasion and closing the sales based on emotional triggers that prompted purchasing. Sales personnel cold called and traveled to wherever they had to go to make a sale. With increasing mass production, companies began to expand and create sales departments in their organizations and sales forces to sell the goods produced.

Friedman (2004) states that today's businesses produced more goods and services than existed at the turn of the century and with that, the sales force sizes saw unprecedented growth in order to promote those products and services. The growth of industry spawned increased competition from companies that produced similar products and services. The competition increased the value and need of the sales force since the sales force was the first line of interaction with the customer, and, in addition, the organization's fastest access to the customer.

The components and relationship between creating and maintaining sales forces have become more developed. Various modeling applications can provide a company with the number of sales personnel needed to promote a new product. Territory alignment allows a company to determine the maximum amount of clients a sales representative can call on before seeing diminishing return. Training consultants create materials to assist companies with their training efforts for their sales force. Motivational specialists are used to encourage the sales force and coaching specialists are engaged to teach customer interaction techniques.

As the marketplace has changed due to factors such as competition, specialized products, government regulations, and the changing needs of customers, sales models have been altered in order to take advantage of and/or to survive the changes. An example of a changed marketplace is the automobile industry. Government regulations have produced new emission standards and requirements for reporting miles per gallon with each model of vehicle. The internet has provided consumers with unlimited access to data regarding car selection and accessories. Consumers come to dealerships armed with pricing information and consumer reports in order to do comparison-shopping. These changes have forced sales persons to have an unprecedented breadth of knowledge, never required before, to sell the vehicle. The role of car sales professional has changed from selling the advantages of the vehicle to that of negotiating the financials because of the availability of information (via the internet) to the consumer.

The pharmaceutical industry is changing its sales model. The pharmaceutical sales model once centered on share of voice, meaning the more sales people calling on the customer, the more impact on market share for a product. The share of voice model change was due to various external and internal factors that caused the pharmaceutical industry to modify its practice. One of the external factors that influenced the change from the share of voice model was the effects of managed health care. Managed health care plans enforced a structure that only allowed pharmaceutical products that fit within a segment of that structure to be prescribed by a physician. If a physician prescribed a product which fell outside of the structure (called formularies), there were possible financial penalties from that action. An internal factor that changed the practice was the overall costs and diminishing returns of continuing with the share of voice model. Having multiple pharmaceutical representatives call on the client with the same drug could no longer be supported due to the cost of maintaining that model.

Some industries have made evolutionary changes to their sales model based on the marketplace, but not many have made revolutionary changes. Stoddard and Jarvenpaa (1995) argue that evolutionary is a process of change in a certain direction while revolutionary is defined as a sudden, radical, or complete change. Revolutionary change may not be required, but changes for sustainability and competitive advantage may necessitate revolutionary changes in the sales model of the organization. In my opinion, most organizations will settle for trailing just behind the marketplace versus trying to get them to run parallel with the changes in the marketplace. This is the reason for benchmark studies, conducted by organizations, to see where they measure based on their industry and outside the industry. Organizations may not seek revolutionary change unless they are in a crisis.

Making changes in the processes with a sales force can be difficult because of the time it takes to implement the changes while at the same time continuing with the present model. In addition, there is a financial risk of discontinuing the present model without a new model firmly in place.

CHAPTER 3

HUMAN RESOURCE PLACEMENT

Resource placement is essential when it comes to restructuring a sales force. From my experience, this will determine the degree and frequency of change an organization will be able to manage. Resource placement for the organization (not the position) means hiring based on the long-term (3-5 years) needs of the organization, and not the short-term (1-2 years) needs.

Organizational View

As discussed by Bamberger and Phillips (1991), organizations should seek strategic placement of personnel based on the need of the organization during business planning. In my opinion, examination of interview sheets of some organizations will reveal that positions are filled based on present need; assessments are rarely performed to see where the person may fit on a projected need of the organization later in their career. The assumption is that the person placed today will learn more and be able to assume other positions with greater responsibilities. When one begins to restructure a sales force, not only is it important to find the person who can fit the available role but to consider future needs of the organization based on the marketplace and the direction of the organization. A person can be placed in a role because he/she fits that particular position, and provided continuing education to grow and hone present skills to prepare for the next opportunity.

Gatehouse (2007) suggests that an organization should understand what it is looking for in resource placement for a sales force. This is important for restructuring the organization sales force. To clarify, it is important to look at the needs of the position as well as the needs of the organization. The organization should establish criteria regarding the role the person will be assuming and projected opportunities for that person. With this strategy in place, the organization will not only fill the position with a skilled person but also will have a program to continue to develop him/her for the next opportunity in the organization.

My colleagues have argued that an organization with more strategic personnel as opposed to tactical personnel as part of the resource placement may be in a better position over the long term. The assumption is that strategic thinkers provide the entrepreneurial talent that enables organizations to perform in growing markets or in markets in a decline. That assumption, which has not been validated, is based on the marketplace and the amount of change seen thus far. In my experience, sales organizations tend to favor tactical personnel because they are focused on performing against the plan presented by upper level management. On the other hand, some may be of the opinion that the strategic person will be more proactive and able to adjust to market change more quickly than the tactical person will. Those areas can remain up for debate but each characteristic provides a benefit to the organization.

Douglas and McCauley (1999) have suggested that mentoring is been beneficial to both tactical and strategic personnel. In addition, they report organizations with formal development relationship programs in place employ more quality people and have higher sales volume than those organizations without a program in place. Developmental relationships are important for continuing education in the organization and for personal and career growth.

Organizations employ both indirect and direct mentoring programs. The indirect programs tend to be initiated by the individual with someone in upper management, and the direct programs are initiated by the company. In order to realize the full potential of a development mentor relationship program, it should be tied to company direction, goals, and should be cross-functional. Johnson and Johnson, Merck, and Boeing have direct mentoring programs available for their employees. As discussed by Douglas and McCauley (1999), time demands, company downsizing, and mergers have caused these programs to not be utilized or seen as a value to the employee and the organization.

The benefit of direct mentoring programs to the organization is that they create a pool of talent that can assume other roles with increasing responsibility in the organization. The way talent is developed is due to interaction with the mentor and the feedback that comes out of those sessions. This allows the individual to locate training programs that will address areas discussed as part of the feedback. The organization is able to train individuals based on the changes in the marketplace and prepare them for new roles in different areas in the organization. Mentoring programs also provide the sales force with a different perspective on what they do and the different components involved. An example of that would be a sales person being mentored by a person in finance. Through this relationship, the sales person learns pricing strategies as they relate to products and that information allows the sales person to be more effective based on knowledge they have gained through mentors.

CHAPTER 4

TRAINING

As discussed by Lupton, Weiss, and Peterson (1999), sales training has but one purpose: to make a more productive sales person. The resources applied to sales training programs outrank those devoted to middle and upper level management (Lupton, Weiss, & Peterson, 1999). It is difficult to build a case on the correlation of cost related to training to the effectiveness of a sales force due to external factors such as government regulation, poor economic conditions, or competition that may affect their efforts.

Training is one area in a restructuring effort of the sales force that requires special attention. Training is the area that reinforces the message and the company direction to those who are charged with performing against those directions. If training is not effective, it compromises the goals of the company as it relates to present and future direction. As discussed by Lupton, Weiss, & Peterson (1999), sales training has many challenges that affect its effectiveness. No one training situation can cover all real-life sales situations. Consequently, creating a generic training script is difficult. An additional problem is how to assess whether training has been successful. Is success measured by sales personnel being able to recite what they have learned? If they cannot recite back the information, does that mean they will not be successful?

My opinion is that too much of training focuses on soft skills of customer interaction and product knowledge, which was (and to a degree still is) the foundation of selling. With the continuing changes in the marketplace, the model of training needs to evolve to be able to build better businesspersons than sales people. As discussed by Liu and Comer (2007), most sales people receive organizational training which allows them to conduct the most basic duties related to their product training. Sales force personnel training efforts should be restructured to operate as business people to receive more specific training in the areas of business analytics, building a business plan, scenario based training, and case study analysis. This is not to say that people in the sales force do not have these skills, but since it is not part of the training model, the components discussed above tend not to be a part of the process.

It has been my experience that sales organizations train their sales force to operate as sales people instead of as business people. Sales organizations want their people in the field talking with customers and making sales. While still important, today's marketplace requires that sales people become more astute in the business arena. One area of development is understanding the analytic reports received from the organization. Sales personnel understand what they see but do not know how to create a strategy that will direct them to desired results. The reason for this is that sales personnel are taught to be tactical versus strategic. Sales organizations should train their sales personnel to understand their reports, how to create a plan to reach desired goals, why or why not goals are being met, and how to measure the success of the business analytic reports.

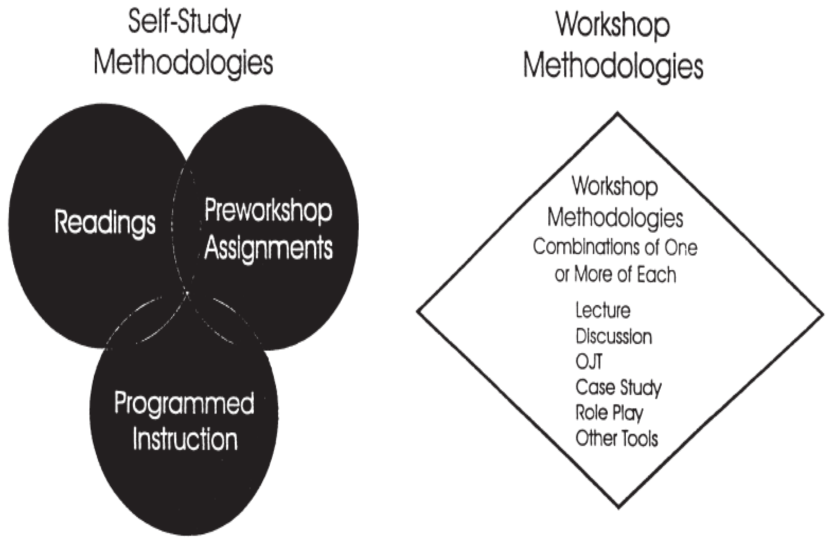
Sales organizations provide their personnel with sales data and other reports. When speaking with any sales representative, the one type of report that he/she is concerned with is the rank reports because that tends to dictates what the compensation will be for the sales period. As mentioned previously, some organizations do provide training in understanding reports and how to view them but those training sessions tend to amount to small percentage of time allocated to an organization's training efforts. The percentage of training in business analytics area will need to increase in the organization in order to implement a restructuring effort in the sales force.

Understanding business analytics is a foundation when trying to construct a business plan. Some sales organizations have a business plan template which the sales personnel complete. Those business plan templates, in some cases, do not look at measures of success nor tracked metrics to indicate whether the sales person is performing against the plan. The document is nothing more than a series of blanks that require some type of data input. The business plan document should be used to provide the sales force (up to the level of senior management) with metrics to guide the organization in making decisions to assist in reaching desired goals. The most talented sales person will perform regardless of how he/she are trained, but our goal is to provide the entire sales force with what they need to perform at a high level. Just being able to sell may not yield the results that the most talented sales personnel are accustomed to, especially when you factor in market changes.

Another component that can be used to assist in business analytics training is business scenario training which can be computer simulated or used as a group exercise. The same as role-playing, business scenario training is used in a majority of training classes to simulate sales personnel and customer interactions. In business scenario/role playing training, the sales force uses data to create business plans based on obtaining a certain end goal in their territory. In each phase of the scenario, the sales personnel are presented with information regarding activities in their territory, which can have a negative or positive impact on their business plan goals. The objective is to reach the goals of the business plan. What the sales person is evaluated on is their decision making ability against each issue they were presented. As noted by Sogunro (2004), role-playing teaches by using real-life situations, thus enabling the participants to be able to implement those skills in working situations. Role-playing provides constant feedback that enforces behavior modification toward the end goal of the training objectives

Training can use the business case study method to assist with teaching decision-making skills. The organization can have cases especially designed for the company or use existing business cases for discussion. This technique allows the sales personnel to review business problems and discuss methods to resolve the issues. Conducting this exercise with sales personnel enables them to be able to define the problem(s) and be able to arrive at solutions. Similar to role-playing, the skills acquired by the case study method can be carried over to real activities in the sales environment.

Figure 1. Sales Training Methodologies

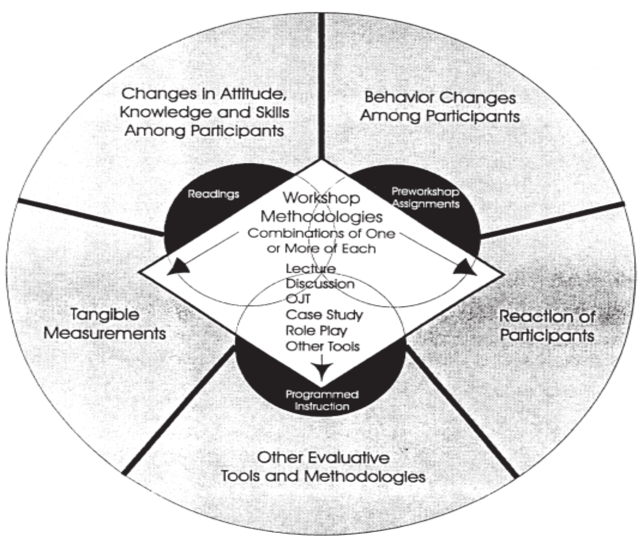


Various sales training methods can be used. Lupton, Weiss, and Peterson (1999) suggest that several training methodologies can be valuable (Figure 1). They argue that the self-study approach offers benefits which include cost effectiveness, logistics, time flexibility, consistency in content, and compatibility with adult learning concepts; however, in my opinion the workshop methodology is more conducive to information sharing and skill practice with the participants. The workshop method provides the trainers with visual cues to see if what they are training is understood and being practiced. The visual cues can be used as a feedback mechanism to the trainers to view the demonstration of the new behavior of the sales person based on the objectives of the training sessions. Visual cues should be used along with other training tools to ensure the new behavior is being understood and adopted.

In order to see whether the new behavior is being used, field ride-alongs with the sales force should be conducted. Field ride-alongs allow you to assess how the new method is being applied in live situations and have feedback mechanisms to address questions once the initiative is being used in live situations. The measures of success should focus in two areas: adoption and performance. Adoption involves working with the sales force by providing educational material, conference calls, and other vehicles to ensure adoption of the new behavior. The measures could include test feedback from the sales force and feedback from customers. Performance reviews the effect of the new behavior on business results. If the organization is not seeing the performance, then a review needs to take place to examine what was done from a training perspective and if new training needs to be developed.

A conceptual framework model created by Lupton, Weiss, and Peterson (1999) for sales training is something I believe could work with the restructure efforts for a sales force. The model discussed above is referred to as sales training evaluation model (S.T.E.M.) and is shown in Figure 2.

Figure 2. Sales Training Evaluation Model



This model combines the self-study concept with the workshop method and demonstrates how the two can operate independently or in combination. The section regarding the reaction of participants is positively related to how those involved in the program feel about it. Positive feedback from the participants builds motivation, encourages continued involvement by the learner, and assists in developing future training sessions. Behavior change among participants is a challenge to assess due to emotional state of the person during the data collection period. The emotional state does not nullify the response of the participant, but it is something to consider because it may not provide a true indication of the training program. This information is essential in creating a successful selling environment and advancement opportunities. Tangible measures are objective outcomes that indicate effectiveness. It is suggested by Lupton, Weiss, and Peterson (1999) that this measurement can be linked directly to the bottom line of the organization. Evaluation tools can be put in place to measure the effectiveness of the trainers. Examples of that could be surveys to the participants regarding the effectiveness of the trainers as well as surveys to the training colleagues regarding the performance of their peers. Such tools can provide guidance in evaluating developmental areas for the trainers. Being able to evaluate the training process is essential to being able to resolve issues and create value.

There are several delivery channels and methods for sales education. Explicit information can be delivered via email, web broadcast, CD-ROM, print, conference call session, in class lecture, or a mix of the delivery methods. In class sessions tend to be the norm because of the interaction between participants and trainers, but are cost prohibitive and time consuming. The use of podcasting has grown in the training area as a vehicle to distribute training video material for distance learning. Podcasting involves digital media files that are made available via the internet for viewing over portable media players or computers. They are easy to use, available when needed and cost effective when compared to in class sessions, mailing printed material, or organizing conference calls. The down side to podcasts is that a trainee cannot ask questions or interact with people whom have taken part in the program. For the purpose of the restructure, I would recommend using multiple methods of delivery since adult audience learning styles are different. In developing a training program, learning styles will need to be considered as trainers look at the methods of providing the information to the target.

CHAPTER 5

TERRITORY ALIGNMENT

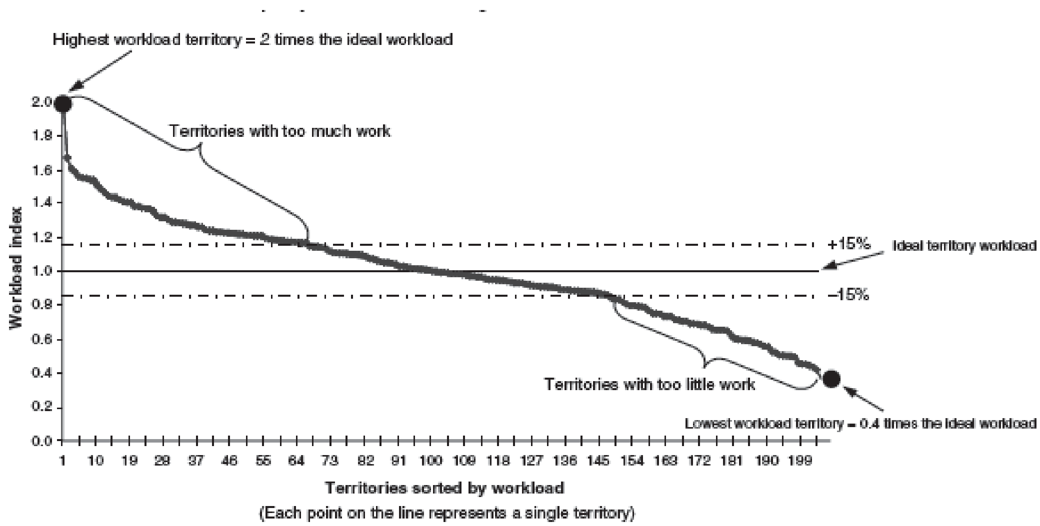
Sales territory alignment is how an organization assigns sale representatives to accounts in a geographic area. This process is associated with an organization that has field sales responsibilities since the sales representatives travel to the client. Increasing sales force productivity through areas such as territory alignment has been something with which many organizations have struggled. Zoltners and Lorimer (2000) note that American companies have spent over $500 billion a year trying to increase productivity. In some industries, the estimate for a single sales call is between $200 and $300. Maintaining a sales force is the most expensive cost as it relates to human resources. With company reductions and mergers, it is important that territory alignment and design be created for optimal value. Research by Zoltners and Sinha (2005) has shown the value of a good alignment can improve sales by 2%-7% over an average alignment.

Territory alignments are based off the expectation that productivity can be enhanced if sales personnel have a protected territory or zone that they are assigned to cover; no other person from the same company is allowed to pursue sales in that territory. Not all industry sectors use territory alignments. Sector sales for stockbrokers and insurance generally are not in protected areas.

An organization performs major or minor realignments based on the business needs at that particular time. Examples of major realignments would be the launch of a new product, a merger with another organization, reductions in the sales force or change in market conditions. A minor realignment could be based on a change of the marketing mix of products, customer segmentation change, or company direction.

As discussed by Zoltners and Lorimer (2000), there are various benefits to having a solid territory alignment. Those benefits represent good coverage of customers, well-balanced sales territories as they relates to work load, reduced travel costs, and a fair incentive system for the sales force. These are items to keep in mind when restructuring a sales force. Figure 3, discussed by Zoltners and Sinha (2005), shows how a large percentage of the sales force can either have too much work or too little work which results in a non-productive workload balance. A higher percentage of the sales force should be within the territory workload range. In creating alignments, the criteria should account for geographic differences, local/regional rules, and other factors that could impact creating alignments.

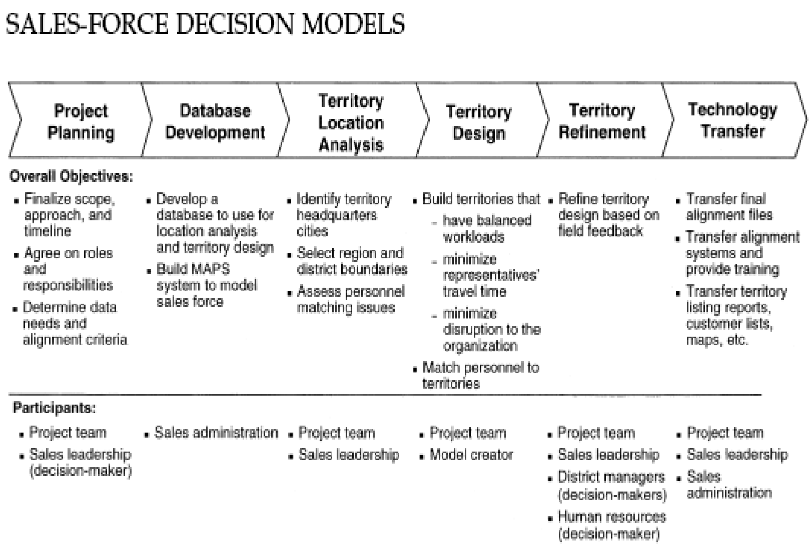
Figure 3. Mismatches in Sales Force Capacity and Customer Coverage Needs for a Cosmetics Sales force



In restructuring the sales force, the organization should allow a company that performs territory alignments as their core function to handle this task. There are applications that will handle alignments for an organization but are best used by smaller companies where the cost of using an outside company may not be prohibitive. If another company handles this task, an organization should be knowledgeable of the steps involved. This will allow the organization to understand what occurs and how changes will affect objectives based on the alignment. In Figure 4, Zoltners and Sinha (2005) provide an example of the activities involved as part of a sales force decision model as it relates to territory alignment. A typical alignment generally follows six-steps, with target objectives for each step.

As part of a restructure effort, a realignment of a sales force may not be required, but should be kept in mind when evaluating company direction and marketplace changes. Even if the plan were not to realign, it would make good practice to review the current alignment periodically to see if market change may necessitate a modification in the alignment.

Figure 4. Activities Involved in Sales Force Decision Model



CHAPTER 6

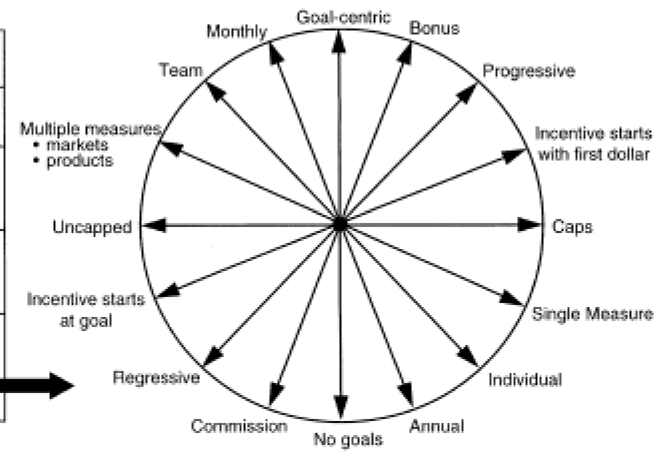
COMPENSATION

As discussed by Coughlan and Sen (1989), creating a sales force compensation plan is the most important task for an organization. The compensation plan is a key factor that provides motivation to the sales personnel which affects the organization's profitability. The difficulty in creating the plan is how to structure it so that it is beneficial to the sales person and the organization. When creating the compensation plan, should it be a single plan or a multi level plan so all members of the sales organization have an opportunity to increase their compensation? The plan needs to be constructed in a way the sales force can see as attainable. A compensation plan not viewed as favorable by the sales force creates an issue for the organization in reaching its planned goals.

With any restructure effort, the compensation model is the area the organization will want to review because of its effect on the sales force and the overall organization. Many decisions go into deciding the compensation structure today. Sinha and Zoltners (2001) provide a model in Figure 5 that shows the decisions that should go into considering compensation. Many key decisions must be made to determine an effective compensation plan. The incentive-payment design wheel enumerates the decisions that need to be made to establish a performance relationship. Such complex decisions can be assisted by using models but cannot be solved solely using models.

Figure 5. Compensation Decision Model

DECISION	
Level	– How much should salespeople be paid?
Mix	– What proportion of compensation should be incentive pay?
Measures of Performance	– What measures should be used to determine incentive pay?
Performance Payout Relationships	– How should the incentive payment vary with measured performance?



Compensation models are designed to drive the sales force in reaching its sales goals; they also can be used to encourage and reinforce other behaviors. In my opinion as part of a restructure effort, including innovation as part of compensation can be beneficial to an organization. In a modern marketplace where change is the norm, innovative concepts should not belong solely to management. The sales force is closest to the customer and marketplace. The knowledge gained from the interactions between the sales force and customers can provide new insight and direction regarding the marketplace to management. Providing compensation involving innovations allows the sales force to venture into areas of business that may be beneficial to the organization. Consider a sales person proposing to the finance department a new idea on contract terms that benefit the customer and the company. The sales force could provide product design enhancement that come from interactions with the customers. In some cases, the sales force is providing this information; however, creating compensation around idea generation would increase the number of participants bringing ideas to the organization. The opportunities exist but the incentives need to be in place for the sales force to encourage such activity. The compensation involved would begin to motivate that behavior and establish the value of that behavior. As discussed by Liu and Comer (2007), the sales force possesses a great wealth of information; all that needs to be done is to provide an incentive and training to gather this information.

The key to structuring the compensation plan is not to make it totally product based but include areas that are important to the business of the organization. As alluded to by Baldauf and Cravens (1999), behavior and outcome performance are enhanced in accordance with the compensation plan for sales personnel. In order for the sales force to improve areas in organizations, my recommendation is to tie objectives to an incentive plan to direct behavior toward those objectives.

CHAPTER 7

SALES FORCE AND MOBILE TECHNOLOGY

Use of Mobile Technology

A majority of sales personnel are transitory based on the nature of the position. This means their job requires them to travel to the end-user or customer in order to promote the product/service and make a sale. The influence of technology on the sales-customer relationship has been profound. Initially, interactions were mostly direct. The use of the telephone permitted orders to be confirmed at a distance, but these still required finding a telephone to call in orders, arrange meetings with customers, pick up messages left at the office, and attempt to resolve issues. Sales personnel carried files on the customers they serviced (which included demographic information, past history of purchases, and maybe some notes regarding key stakeholders who influenced the purchasing decisions at that company).

Being disconnected from the office often resulted in important information not being communicated to the sales person, which could result in a lost sale. In addition, not possessing information on clients disrupted the sales process because the sales person did not know the needs of the customer.

Over the past 20 years, the sales force has many “mobile” technology tools that can assist in maintaining contact with the company and customer and in collecting valuable data. Three examples are shown in Figure 6. A smart phone is the name given to digital telephones that have more capability than regular mobile phones. Smart phone’s capabilities include Personal Digital Assistance, Microsoft office applications, messaging features, and other tools. A PDA (Personal Digital Assistant), which is a personal organizer with email and internet capabilities, lacks the mobile phone capability. A tablet PC is similar to a laptop computer but the only difference is that the tablet has the capability of a swivel screen and information can be entered in through the screen using a stylus.

Figure 6. Mobile technologies
Source: http://www.cnet.com/

Technology should be used to communicate and link company direction to the efforts of the sales forces. As argued by Speier and Venkatesh (2002), the problems that exist in some organizations regarding their sales force is that technology is provided because it is available and not because it will assist in enabling strategic direction. This behavior occurs in many companies because technology is not viewed as part of the business process; therefore, it is treated as an accessory. If the organization provides technology mobility tools to the sales force without relating them to company initiatives, then the risk increases for not meeting the goals set for the organization.

Liu and Comer (2007) argue that sales personnel are in a unique position based on the level of interaction with clients, competitors, and other involved in their particular marketplace. The interaction makes information available that may not become available to the company for days, weeks, and maybe months. Sometimes that information is passed on through company channels via voicemail and email. The problem that occurs is that information has no centralized place to flow in order to assess validity.

Furthermore, the technology that is available is used more in pushing information instead of pulling and compiling information. The ability to harvest information and assess its value is a competitive advantage for any company. Thus, not using the sales personnel and the technology in this manner becomes a missed opportunity to assess competitive threats and product/service opportunities at a proactive stage instead of responding at a reactive stage.

Timely response to changing business environment

In the business environment, timing is important. Response to issues such as competitive threats, new entrants to the marketplace, government regulations, and product recalls can be a business advantage. Being able to take appropriate and timely action can mean the difference between growth and decline in an organization.

An example of that would be during a meeting with your customer to renew a contract, he/she decides to reject the terms you presented and request better terms. Since this has been a good customer for the past four years, you proceed to begin to make phone calls, attempting to get the approval for new terms for the contract. The client meets with the competitor, reviews its contract, and rejects the terms. The competitor asks the client what would be favorable terms and the client provides those figures. The competitor enters the information into the application in his tablet computer and the terms come back as approved. The client accepts the terms and signs the contract. The difference in this example is that the competitor possessed technology that allowed him/her to gain a new customer. The technology was integrated with the sales process and allowed the competitor to enter new terms and have them approved, while the other sales person had to make time-consuming calls to get terms approved.

With the increasing numbers of virtual offices, it is essential that the communication links are clear and consistent with the sales personnel. It is not good enough to have staff with Smart Phones, tablet PC, or PDAs. The key component is how they fit into the communication structure and business strategy. So using these tools to communicate important information can provide lead-time as well as notification of company information that requires action.

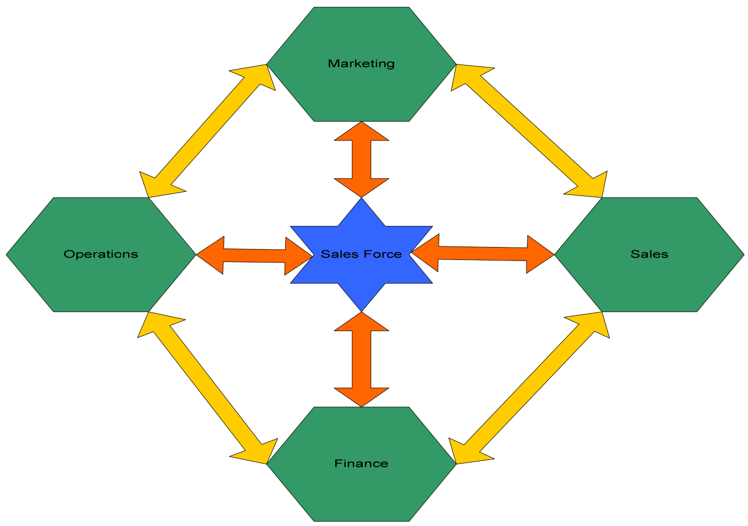
An organization needs to take inventory of its current technology and how technology is used to execute the company directions. This will provide the organization with valuable information such as what technology tools are currently present in the organization and how are they being used to assist the organization. An example would be when the company wants to notify sales personnel of customers who are purchasing fewer products than in past sales quarters. The organization would need to review the inventory of technology tools to see what tools they have that can accomplish this task and are they the best tools available. As argued by Speier and Venkatesh (2002), characteristics have been identified that influence the successful implementation of technology. Organizational support at the top levels and early involvement by the end-user community were identified as essential in implementing successful technology. This relates back to having technology just because it is available versus how it aligns with current and future strategy of the organization.

The other key component of the restructure is to have the executive level managers of each department to review the created list of technologies already present in the organization and perform a technical gap analysis. The purpose of the gap analysis is to review what is needed by the sales organization and if that need is met by current technology. The executive level managers should be tasked with developing a plan on how to use the technology with present and future endeavors and capture metrics based on measures of success. Each time an executive level manager presents a business plan to the board or any group, a part of the plan should include how available technology will be used to assist in implementing the plan.

Based on my experience, that action will increase the level of engagement centered on the technology and its use in assisting in achieving company goals. Including a technology discussion in the business plans of executive level manager provides a different view on how technology can be used to assist in accomplishing organizational goals. Taking this path allows the technology to become an integrated part of any business discussion and not an after-thought. An example would be the CRM (Customer Relationship Management) systems that were deployed in the late 1990's and still exist today. Some organizations have poured millions of dollars into CRM without linking them to a business strategy. Those organizations, without the alignment between CRM and business strategy, saw CRM as an expense with no value and discontinued the program. Organizations that were able to reap the benefits from CRM created the alignment with its business strategy to yield benefits.

Using the technology to communicate to all key personnel is important. Communication needs to be consistent and clear so that the recipients understand what is said and if there are action steps that need to be taken. As I illustrate below, Figure 7 shows the high-level functioning areas of an organization. Regardless of where the information flow begins, it is consistent to all parts of the organization with a feedback mechanism built in.

Figure 7. Technology Communication Integration Points



Often technology is used for one-way communication but a mechanism is needed to ensure the communication is two-way and has a feedback loop to ensure the information has been received and implemented. In many cases, a communication governance process does not include technology as part of the process. The governance process for communication may involve technology, such as email and voice mail as a way of distributing information; however, from my experience, most communication processes lack the two-way communication needed for effective feedback.

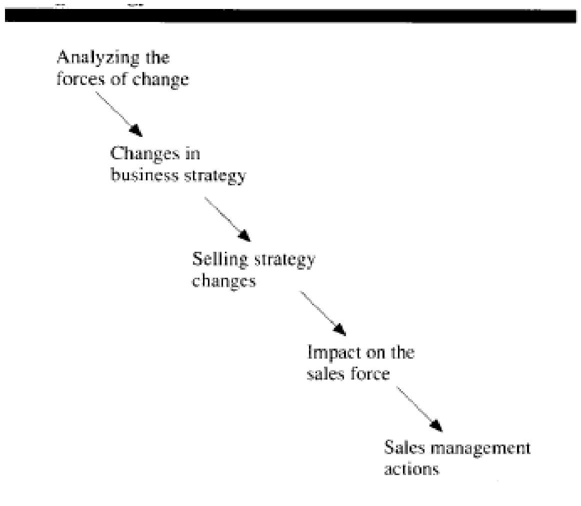
CHAPTER 8

ORGANIZATION CULTURE CHANGE

Restructuring a sales force can be a dramatic undertaking for the organization that does not prepare for the change. In a difficult economy, many organizations are more apt to reduce sales force numbers than consider ways of redefining the way the sales force operates. As discussed by Cravens, LaForge and Ingram (1990), change opportunities involving organizational refocusing of the selling strategy impact redeploying sales forces, sales force size, and allocation of selling efforts to customers. Some organizations are not willing to undertake actions that would involve a large effort. Many organizations do not realize the effort it takes to reduce a sales force, and in some cases, reduction is more difficult than restructuring without reductions. Of course, there is a cost savings in reducing the sales force but the long-term effects of loss revenue from personnel reduction to my knowledge have not been studied.

In order for a sales force restructure to be successful, support is required from senior level management. Senior level management will need to understand the reason for a restructure and how it will be implemented. At each level in the organization, ownership needs to be assigned so that each person is involved in some part of the process. As shown in Figure 8, Cravens, LaForge and Ingram (1990) suggest that the impact regarding strategic dynamics on the selling strategy may be linear and sequential.

Figure 8. Impact of strategic dynamics on selling strategy



It is important to understand the forces that are behind the required change. The change can be forced by internal or external factors. Examples of changes provided by Cravens, D., LaForge, R., & Ingram, T. (1990) include Campbell Soup and Xerox. Campbell Soup was faced with changes in customer needs, and Xerox encountered both changes in customer needs and competitive pressures. Campbell Soup responded to changes in the food market by introducing new products to its current product mix. A major part of the new product strategy was to expand the corporate portfolio. The purpose of this change was to create a larger market focus than current status. Campbell Soup restructured its sales force into 22 geographic regions to support the change effort. The Xerox strategy was to restructure by repositioning the company from a marketer of specific business products to a supplier capable of meeting the total business needs of the customer. Xerox restructured the sales force from a product focus to specialization according to account size. From the examples, each organization restructured the sales force as a part of its strategy to reach end-goals.

Change initiatives intended for improvements or gaining a competitive advantage have experienced many problems. As discussed by Rangarajan, Chonko, et al. (2004), a reason for unsuccessful change initiatives is management's desire for the quick fix instead of seeking the long-term sustainable solution. Another issue that arises is implementation of piece-meal solutions instead of an organizational approach. An example of this is the introduction of a new contract to spur growth but having a supply system that was not designed for the increased output. The organization's customer call center is overwhelmed with customer calls regarding the new contract, and the sales force ends up spending more time handling customer issues related to backorder shipments –all a result of the new contract offering. Initiating a change to make the organization more competitive has caused issues that require attention and may affect productivity throughout the organization. Those issues could have been avoided if the initiators of the change understood the systems involved and the effect change would have on other parts of the organization.

In a restructuring effort, the organization should assess its readiness for change. The assessment should review the discrepancies that may exist between the current state of the organization and the desired state of the organization. It is natural for people to fear and resist change. Change is resisted even more when the employees of the organization question the ability of the organization to implement the change and arrive at the desired outcome.

Restructuring a sales force comes with varying degrees of change. As discussed by Darmon, Rigaux-Bricmont, & Balloffet (2003), a sales person's job satisfaction has some correlation to performance. When the organization plans to restructure the sales force, consideration needs to review the level of current job satisfaction. The reason for this is that the organization should look at the areas that create high level of satisfaction and areas that create low levels of satisfaction. Should a restructure affect areas of high satisfaction to the degree that anxiety levels regarding the change increases? An example of this would be if the sales force had high approval of the current compensation plan. The compensation plan had seen many iterations in the past three years and is now at a point where the sales force has confidence in the plan. The organization is creating a different product mix, change in territory alignment, and change in the compensation package. A question for the sales force is whether the new plan is going to be better than the present plan. When the organization approaches an area that is highly regarded by the sales force, it needs to ensure that communication is clear regarding the impact, and expectations should be managed. If the compensation package is not on par with the existing plan, then the organization should expect some impact on the motivation of the sales force. It is important for the organization to understand changes that affect items valued by the sales force because this affects solutions and progress towards the desired state.

CHAPTER 9

CONCLUSION

A sales force is the cornerstone of any organization that relies on that group to sell products and be ambassadors for the organization. In review, the history of sales personnel has been based on the marketplace and the needs of the customer. As the marketplace grows and consumers become more sophisticated purchasers, the need for a new type of sales force is required. Unfortunately, many organizations are reluctant to restructure a sales force based on changes that have not affected the organization, especially if the present structure is functioning. In some cases, organizations are content with making **minor** changes such as reductions instead of conducting a thorough market and organizational review to see if **major** change is required.

In my opinion, upper level management does not want to change the model of a sales force without knowing the impact of that restructure. Without taking the steps to understand the changes that are occurring in the marketplace, they do not see the effects on their current sales force structure. When management continues to operate in an **evolutionary** manner and make slow predictable changes to their sales force, true **revolutionary** restructure efforts will not take place. It is up to the organization to examine the role of their sales force and to look at the present state as it relates to the marketplace.

As discussed by Rangarajan, Chonko, et al. (2004), many organizations are in a constant state of flux that cause problems, so they need to alter traditional approaches by experimenting with new organizational structures. As they create those structures, organizations need to learn from the successes and failure of each implementation. As the business climate continues to change, trying to play catch up could cost an organization more than it planned. Organizations need to look at the future state of the marketplace and determine what their sales force will need to meet future marketplace demands. Organizations will need to understand that change can be accomplished when operations are going well; they do not need to wait for issues to occur. In my opinion, it is best to plan the restructure when business is thriving because this will allow the necessary time to experiment. When organizations attempt to restructure the sales force when business is not going well, then there is no time to experiment, plan, or grow. The question for organizations is whether they *wait* until it is necessary to change or *start* restructure efforts to stay ahead of the marketplace and maintain a competitive advantage.

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