B2B sales organization in practice

Six organizational challenges for B2B sales management

Innehåll

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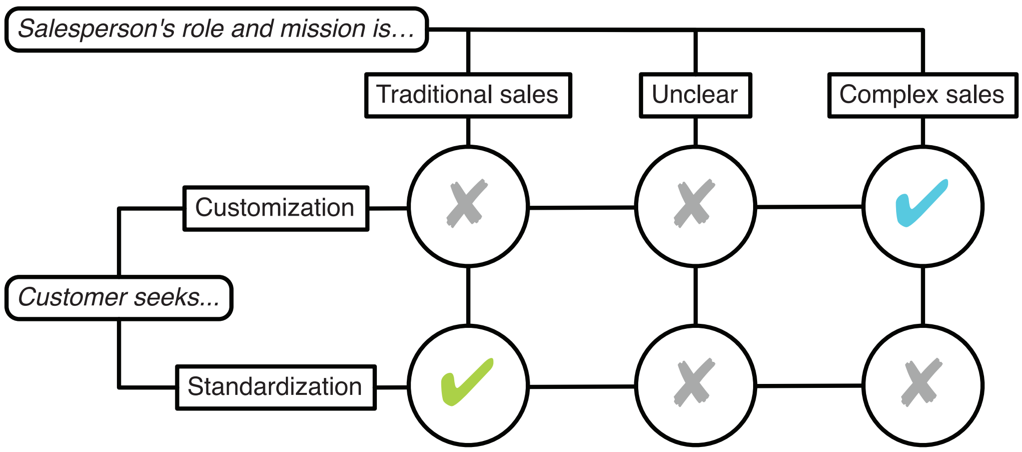
Executive summary

Prosales' most recent multi-client research program, *Sales Efficiency Study III*, provides unequivocal evidence that failure to match a *customer's purchasing requirement* (customization or standardization) with the appropriate *sales logic* (complex or traditional) has a significant effect on the bottom line. Whenever this mismatch occurs, the value of the deal or of the business relation will be too low to justify the sales effort and the profitability per sales hour expended will be poor. We refer to this as *semi-complex business*. Regression analysis shows that reducing the proportion of business that is semi-complex with 10 percentage points increases the operating margin by about 1.5 percentage points.



A1-1. A customer that seeks standardization should be matched with traditional sales logic, whereas customization should be matched with complex sales logic. When the sales approach does not match the customer's purchasing requirements, the result is semi-complex business.

Prosales' research has shown that to avoid semi-complex business, companies need to divide the various tasks of a successful sale into distinct functions served by specialized roles. We call this *organizing the sale*. In order to organize you sales force, we see the following four-step change program.

1. Segment customers in the addressable markets by their purchasing requirement
2. Qualify customers that require a complex sales approach on their business potential and strategic impact
3. Divide the sales force into traditional and complex sales organizations
4. Define and distinguish sales leadership and sales management roles

Segment customers in the addressable markets by their purchasing requirement

Trying to do business without segmenting customers according to their purchasing requirements will result in semi-complex business. The key success factor for a customer segmentation is the establishment of indicators and models to measure customer purchasing requirements and business potential. This, in turn, necessitates evaluation of deals won and lost.

Qualify the customers that require a complex sales approach on their business potential and strategic impact

Business opportunities for complex sales need to be carefully cultivated since the cost of sales for complex sales is relatively high. Hence, allocating sales resources for lead development and opportunity creation without consideration of the strategic impact and business potential for each customer will directly lower profitability.

Divide the sales force into traditional and complex sales organizations

Prosales' research shows that traditional sales and complex sales require distinct sales organizations (see table below). Furthermore, management control (e.g. coaching, evaluation and incentive structure) for each sales force is different. There is clear evidence that faulty control systems creates semi-complex business by impairing the match between purchasing and selling; faulty control drains the sales approach of both strength and direction and ultimately reduces profit.

Define the sales leadership and the sales management roles

Sales leadership and sales management are quite different tasks. Sales leadership is about strategy and sales effectiveness – such as making sure that the organization chooses and pursues the right business with the right companies. Sales management is about operations and sales efficiency – making sure that the organization is optimal in its use of resources.

Sales management encompasses two quite different tasks – coaching and administration:

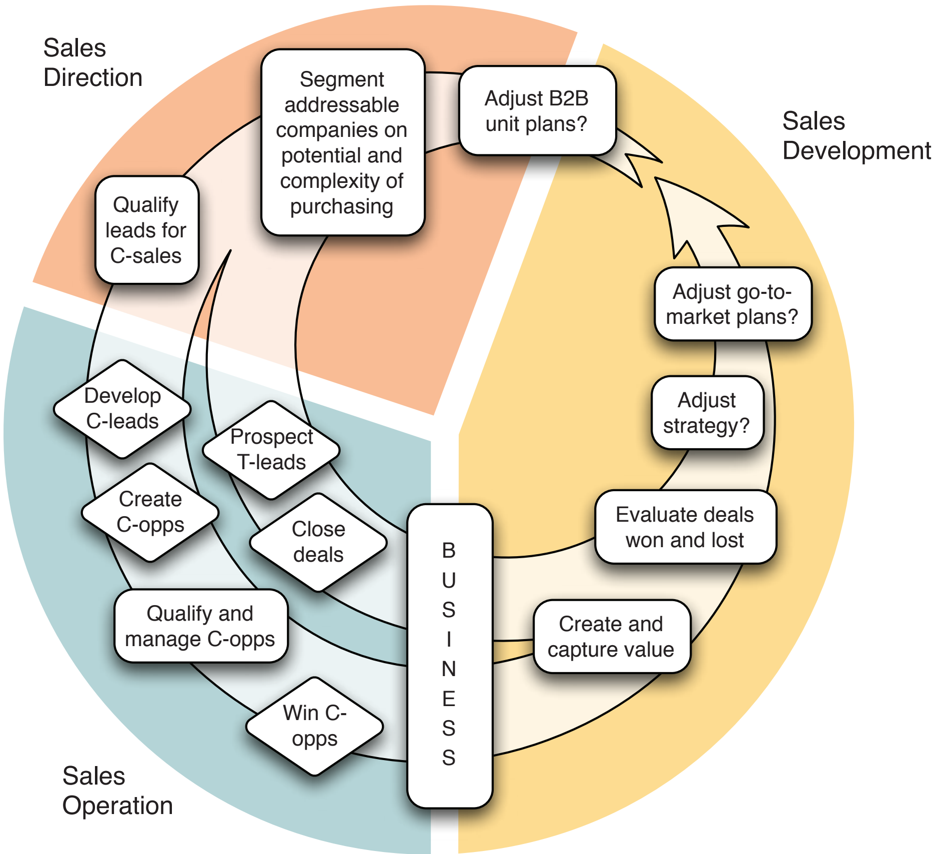
- *Sales coaching* is about helping the salespersons act, choose and behave in ways that ensure the sale in accordance to strategy
- *Sales administration* is about managing sales data to enable efficiency in the company's business processes

Our manager case study from 2010 shows that these require entirely different competencies and personality traits. Hence, we strongly recommend that they are divided onto different roles – the coach and the administrator.

Organizing B2B sales

In the figure below we try to summarize the key business functions in B2B sales; diamonds denote salesperson tasks and boxes denote manager tasks. There are three management areas that help categorize the functions:

1. **Sales Direction.** This is the sales leadership acting on strategy – choosing the right business with the right companies
2. **Sales Operation.** This is the sales management acting on implementation – creating opportunities and pursuing them in the right way
3. **Sales Development.** This is the sales leadership acting on evaluation – defining what business to do with which companies



A-2. Customer-oriented business development process. "T-" and "C-" refers to 'traditional sales' and 'complex sales', respectively. "Opps" refers to 'opportunities'. Diamonds denote salesperson tasks and responsibilities. Boxes denote management tasks and responsibilities.

Sales Operation is divided into traditional and complex sales. Thereafter functions are mapped as summarized in the table below. Note that the go-to-market management is included since sales cannot be organized properly without the support of, and coordination with, the managements of products, markets, orders and operations.

	Traditional sales	Complex sales
Go-to-market management	**Goal**: match markets and offerings **KPI**: order count (conversion)	**Goal**: ensure that Sales get the right resources at the right time **KPI**: resource management
Sales Leadership	**Goal**: streamline both sales process and customer's purchase process **KPI**: reduction of average per-prospect sales expenditure	**Goal**: choose the right business with the right companies **KPI**: B2B strategy implementation and sales logic segmentation (requires developing indicators for potential and complexity of customer purchases)
Sales Management	**Goal**: support salesperson in gaining access and closing deals **KPI**: increased conversion rate	**Goal**: qualify profitable opportunities, support salesperson in gaining access, creating opportunities and winning them **KPI**: share of qualified opportunities won, average per-win profitability
Salesperson	**Goal**: prospecting and closing deals **KPI**: prospecting rate, activity plan	**Goal**: maximize the customer value of each opportunity **KPI**: customer value generated, share of qualified opportunities won, activity plan

Conclusions

"The skillful employer of men will employ the wise man, the brave man, the covetous man, and the stupid man" – Sun Tzu, fifth century B.C. This quote from an ancient chinese philosopher can be equated with the axiom "the right person in the right place", which is extremely relevant to how companies need to organize sales in an effective manner.

Nowadays, sales organization and deployment tend to revolve around flattening organizations and empowering employees. And so it may seem a rather radical finding that defining hierarchical structures and insisting on process decision points is recipe for bottom-line happiness. However, a large part of putting the right person in the right place is *defining the right places*. Empirical data shows that *B2B sales need to be organized* – tasks, responsibilities and resources have to be divided up and defined for the sales leadership, the sales management and the sales force. Salespersons should not shoulder the sole responsibility for organizing their sales, since conflict of interests will always arise. The task of qualifying business opportunities and the task of winning those deals are difficult enough on their own.

Why does this report exist?

The easy answer is "because the Prosales Membership requested it". But that only begs the question of why the members feel the need for it. How come a study on how to organize B2B sales is requested 36 years after complex sales was discovered, so to speak?

In 1975, the head of IBM famously said "I don't think IBM, or anyone else, knows how to sell solutions". Since then, several solid, evidence-based descriptions of how to pursue complex sales (other labels for the same concept include "consultative selling", "solution selling", "strategic sales", "enterprise selling", etc) has been published. Prosales has done its own research on complex sales and can say that, yes, Neil Rackham's *Major Account Sales Strategy*, Miller-Heiman's *Strategic* Sales and Microsoft's *New Solution Selling* are quite accurate.

Even then, effective sales organization remains elusive for many companies.

An important part of the answer is that sales management – including the books mentioned – has focused on individuals and not organization. The salesperson has been the center of attention, not the sales organization. This has historical reasons – during the 20th century, the view of sales as the sovereign domain of the *travelling salesman pushing his product for a commission* became entrenched in western culture[1]. In fact, this 20th century sales model has become institutionalized to such a degree that many sales managers that Prosales meets cannot break free of it. The focus on finding and keeping a stable of top salespersons has been dominant; if any effort has been spent on *organizing* sales it has mostly gone into sales administration.

Another part of the answer is that it is difficult to resolve the differences between these 'traditional' sales (also known as "simple sales", "product push", "transactional selling") and complex sales. These sales archetypes operate on entirely different principles, each with a logic of its own. Like oil and water, they do not mix well. Since there is no obvious best practice to emulate, most organizations keep to what they already know[2]. As the saying goes, "if it ain't broke, don't fix it". Many companies end up entrenching a suboptimal organization for their sales. In fact, many organizations become so efficient at, and used to, doing their thing that they become unable to change[3]. Thus, the 20th century sales model remains in circulation, more than a hundred years after it was formed in the heyday of industrialization[4].

Semi-complex business and distributed sales

A further distinction of the problem of organizing sales is that there are two fairly different organizational challenges. A company can have trouble balancing traditional and complex sales, and will thus suffer from semi-complex business. A company can also have trouble balancing 'normal' complex sales and sales that are so complex that the sales projects needs to leverage the company's entire business governance model. Prosales calls the latter type "distributed complex sales". The result of improper balancing of complex sales and distributed complex sales is revenue forgone – wasteful sales project management limits both the number and the quality of business opportunities the company can pursue. *This text will focus on the problem of semi-complex business, since it deals with the strategic fundamentals of organizing sales. The problem of distributed sales forms an additional layer of organizational issues on top of this, and as such it is properly the topic of another study.*

1 See Walter A. Friedman, *Birth of a salesman*, Harvard University Press 2005

2 March & Simon, *Organizations*, Wiley 1958

3 Arthur Stinchcombe, "Social Structure and Organizations" in James March (ed), *Handbook of Organizations*, Rand McNally & Company 1965

4 Friedman, ibid.

1. Introduction to organization

This text is useful because a strong focus on the salespersons (and the fear of building sales cost that comes with it) is essentially anti-organizational. This statement warrants a bit of explanation. To begin with, ‘organization’ has two meanings. The first refers to an association, corporation, or company – minimally defined, a group of individuals working together for some collective goal or several. The second refers to the act of organizing – the division of labour of the people working together: their goals, roles and responsibilities.

A strong focus on the salespersons is anti-organizational in the sense that the members of the sales force are explicitly not working together; in most instances they are often competing with each other. If sales were to be organized, the labour would be divided into specialized roles that take advantage of each others’ strengths, resulting in increased productivity compared to primitive manufacture where every worker does all of the work[1]. A sales organization without any role specialization, where each salesperson does all of the tasks, is thus hardly worth its name.

1.1 Questions from the Prosales Membership

At the *Prosales Membership* start-up, the member companies voiced concerns, issues and questions they wanted addressed. The point of departure for the *Prosales Membership* is the empirically validated concept of ‘purchase complexity’ and the proven differences between the traditional, complex and distributed sales logics it gives rise to.

Naturally, the main concerns involve the organization of sales for dealing with traditional, complex and distributed sales at the same time, and the difficulties and available options in doing so. The concerns ran the full gamut from strategic issues (segmenting customers on purchase complexity) to organizational questions (separating salespersons into teams for traditional and complex sales; opportunity handover from one team to the other) to specific operational scenarios (“How do you address the sales logics if you only have a few sales-

Late 2010 saw Prosales gathering data from 1 139 salespersons in 83 different sales organizations for *Sales Efficiency Study III.* The quantitative analysis managed to establish some very significant facts about the organization of sales. It proved beyond any reasonable doubt that purchase complexity determines the logic of sales and that traditional and complex sales are very different kinds of beasts. ”Purchase complexity” refers to the complexity of the customer’s purchase decision process; the expression is a shorthand for the amount of different decision criteria, concerns and requirements for purchasing and their respective influence on the customer’s decision process. This gives rises to two types of purchasing behaviours or purchasing requirements, ‘standardization’ and ‘customization’, which corresponds with the sales logics of ‘traditional sales’ and ‘complex sales’ (including ‘distributed sales’).
Traditional sales is governed by the rule ”standardize the customer value” while complex sales needs to follow the rule ”customize each customer’s value”. Distributed sales, a subset of complex sales on the upper end of the purchase complexity scale, is characterized by ”prove the feasibility of the customer value”. Chapter 3 expounds on the key success factors tracked by *Prosales Effectiveness Benchmark* and how to frame them in an organizational context

1 See for instance Adam Smith (1776), *The Wealth of Nations* for an early description of the power of the division of labour

persons? If they are regionalized, what then?"). The top concern, however, is semi-complex business. Semi-complex business will be detailed in the next chapter.

Other issues involved control mechanisms (metrics and incentives), recruitment, coaching and careers. These fall mostly outside the scope of the organization of sales, which is about the division of labour – who does what and why. Organizing sales is about describing what tasks, goals and responsibilities can or should be combined for one role and what should fall under another role. Not that the other issues are unimportant; quite the opposite in fact. But since they are about support and reproduction of the organization of sales they can't be addressed until sales has been organized properly, or one wouldn't know who to recruit for what job or how to steer and coach her properly2.

1.2 Organization of sales in practice

The title of this report is "B2B sales organization in practice". One might wonder what that means. *The organization of sales in practice is not about solving specific operative problems, it's about connecting disparate organizational tasks and functions into a process that allows work to flow effectively, divided into roles that can perform the work efficiently.*

Separation of direct organizational concerns (known as 'line' functions or the command structure in organization theory) and indirect concerns (known as 'support' or 'staff' functions or the control system) is prospective. Incentive structures, recruitment profiles or coaching programs should not be defined until there is a working division of tasks, goals and responsibilities into roles for the sales organization.

Command and control

One of the major pitfalls in organizing sales is a disconnect between the command structure (the division of labour) and the control system (reproduction of the division of labour through evaluation and incentive structures). Organizational members spend effort on work that is evaluated; everything else will get a low priority, if it gets done at all. When an individual has several responsibilities, only high-priority tasks will receive full attention; everything else tends to be done without greater care, assuming they get done in the first place. In order to ensure attention to all tasks, tasks need to be budgetized in an individual's activity plan and monitored. A task that is not evaluated is *ipso facto* not important.

Over time, incentives (control) overrides the division of labour (command). A common example seen in many sales organizations: management stresses the importance of creating customer value for sales persons pursuing complex sales, while at the same time there are no mechanisms in place for measuring or evaluating customer value and sales persons are solely valued on net revenue or profit. This disconnect will most likely result in a lack of profitability in complex sales. Control systems (e.g. incentives, training and recruitment) that does not match the division of labour will cause ineffective and inefficient sales. Hence, a proper division of labour is the first order of business, but it needs to be backed by a control system that enables and encourages the division of labour. *A control system that does not explicitly support the division of labour will counteract it.*

Incentives affect behaviour

Incentives of all kinds (remunerative, moral, coercive or natural) cause selection and retention effects by being incentives. Any reward system (i.e. remunerative incentives) is a selection and retention mechanism. If the main incentive structure for the salespersons revolves around personal rewards of money, status and career options, the salesforce will eventually be dominated

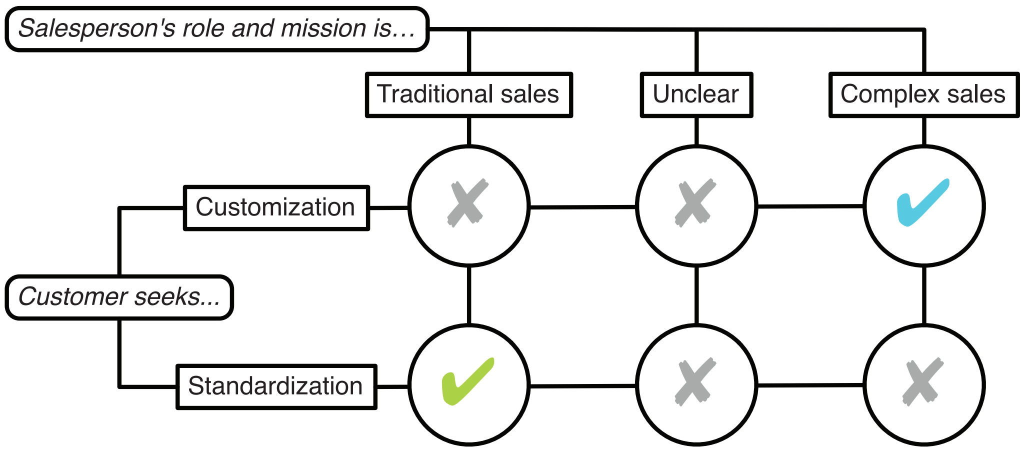
2 To make it easier keeping the roles apart in the text, a salesperson is a she, and a manager is a he. The selling company is a supplier and the company the supplier is selling to is a customer, regardless of whether the customer has bought anything yet. And since the salesperson is a she, the customer is also a he.

by self-serving materialists. The structure itself sends a message about what kind of people the organization wants – salespersons that are not motivated by those rewards will be less likely to stay.

Prosales has some interesting data on commission-based compensation. Compensating salespersons with commissions is unequivocally counterproductive in complex sales; when it comes to the total value of deals, salespersons in complex sales that work solely or partly on commissions have significantly lower values than other salespersons. Salespersons that are motivated by commissions tend to rank low on the customer value orientation index (one of the key success factors for complex sales), and are thus not ideal for complex sales. In other words, material rewards create problems in complex sales: self-centered and reward-oriented salespersons tend to not rank high on customer value orientation, which is the main driver of salesperson performance in complex sales. Now, in traditional sales there is a positive correlation between prospecting and commissions. However, the effect is not significant. This indicates that commission-based compensation is not a universally beneficial strategy in traditional sales. At the same time it does *not* mean that commission-based compensation is useless. The result means simply that commission-based compensation is not the only way to achieve productivity in traditional sales. The more companies there are in the survey that have achieved a culture of productivity without commissions, the lower the statistical effect of commissions on prospecting in the sample. In conclusion, commission-based compensation is a bad idea in complex sales, and one of the valid strategies for productivity in traditional sales.

2. Semi-complex business

As mentioned, the top concern of the Prosales Membership is semi-complex sales. Semi-complex business is what you get whenever sales management fails to match a customer's purchase behaviour: salespersons spending a lot of time to get lousy deals, if they get them at all.



2-1, Semi-complexity. A customer that seeks standardization should be matched with traditional sales logic, whereas customization should be matched with complex sales logic. When the sales approach does not match the customer's purchasing requirements, the result is semi-complex business.

Semi-complex business is an expression of profitability leakage and is very much an organizational issue. To understand semi-complex business, the difference between traditional and complex sales logic needs to be clear.

2.1 Differences between traditional and complex sales

Traditional and complex sales have very different principles for revenue and profitability. This is what makes modern B2B sales problematic in the first place.

Traditional sales is about 'standardization'

The code word for traditional sales is "standardization". Traditional sales are about pushing a standardized offering to as many customers on the addressable market as possible. The value of the offering for both customer and supplier is predefined by a price-performance-equation that is largely fixed. Production costs are most likely fairly optimized already, and competition brings prices closer and closer to self-cost. In terms of sales, this means that the gross margin on a deal is largely independent of the sales effort spent on the deal. This, in turn, means that success in traditional sales is about minimizing the time spent on each deal – the only way to increase the operating margin is to lower the cost of each sale and to do as many sales as possible. This brings us to another side of standardization; standardization refers not only to the product but also to the customer's purchase process and the supplier's sales process. Every simplification of the interaction with the customers and reduction of the amount of time the salesperson needs to expend on each prospect and on each deal means that more prospects can be contacted. While the number of prospects per unit of time unit is a measure of performance, the key indicator for that performance (KPI) is the sales time spent per prospect, because that value determines how many companies can be prospected in a given unit of time with the current salesforce. Note that there are two dimensions to this KPI. First, when evaluating the salesperson, her average per-prospect time expenditure is of interest. Second, when evaluating her manager, the reduction of his average per-prospect time expenditure across the salespersons he manages is of interest.

Complex sales is about 'customization'

The code word for complex sales is "customization". The revenue from a deal is directly proportional to the salesperson's capacity to discover, define, and gain acceptance for, a customer-specific value that the customer finds relevant and urgent. Traditional sales is about pushing the product ("quantity sales"), complex sales is about pulling the customer ("quality sales"). *The per-deal cost of sales in complex sales will always be high because it takes time to learn and understand each customer's specific problems and possibilities and to leverage the supplier's competencies and capabilities in creating a relevant and urgent value specifically for each customer*. Since what values a customer finds relevant and urgent and is willing to pay for is specific to each customer, the cost of producing the agreed-upon value, and thus the gross margin, will vary from deal to deal and will thus become a very real management issue. Since the per-deal cost of sales will be high, the supplier needs to choose with considerable care which customers to spend sales resources on. Success in complex sales is about maximizing both customer value and supplier value for each deal – to increase the operating margin one should (1) raise the top line as high as possible and (2) *only pursue deals where the agreed-upon value is profitably implementable*. Actively reducing the cost of sales for complex sales will just result in smaller deals, because the salesperson will not have the time or resources necessary to grow bigger opportunities.

Success in complex sales hinges on dividing the two success factors into two different tasks. The first task is for the the salesperson and involves identifying, customizing, and gaining acceptance for, a relevant and urgent value proposition. The other task is for the manager and involves qualifying an opportunity on its business potential and on the feasibility and profitability of implementing the customer value.

Prosales' *Sales Efficiency Study III* provides the hard evidence that such a division of labour in complex sales yields higher operating margins. This division of labour and the percentage of semi-complex business are the two most significant success factors in that study. Increase of the index value for this division of labour with 10 percentiles increases, on average, the operating margin by 3 percentiles. When the salesperson is able to give the customer full attention, she can maximize the customer value and thus the top line of the deal, while someone else takes the decision to commit to the opportunity or not based on the feasibility and profitability of implementing the customer value. Splitting the 'salesmanship' in two different functions for two different roles yields a substantial increase in profitability, which illustrates the power of a proper division of labour. *This fact is a game-changer*.

2.2 Customer's decision criteria for complex sales

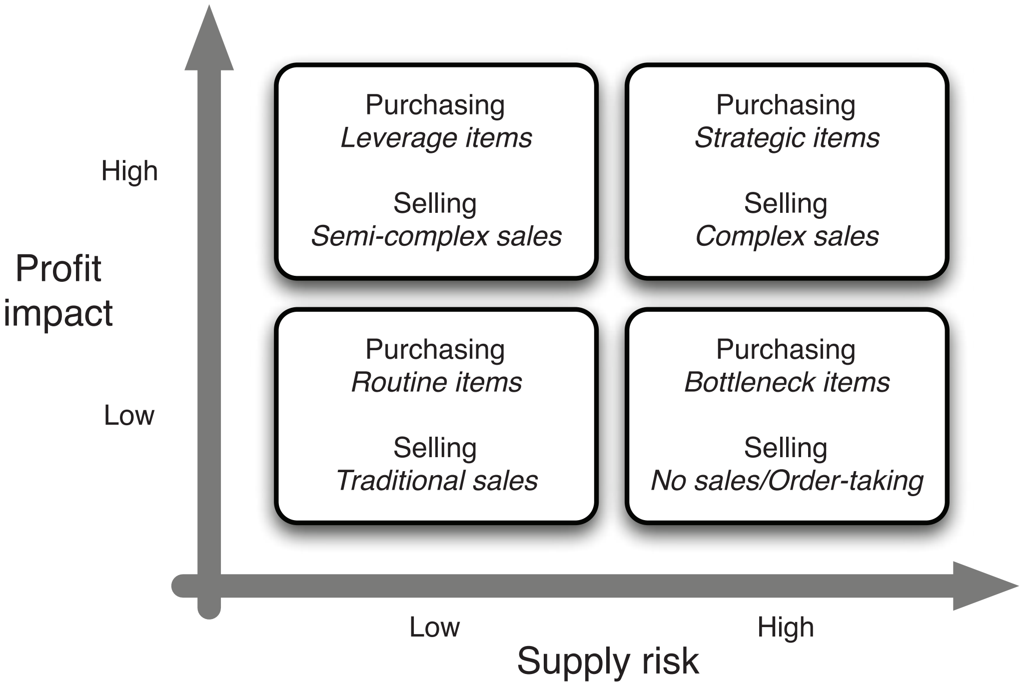
Suppliers need to organize for complex sales as soon as the customer's decision criteria for purchasing includes more than the price and performance of the good or service in question. In other words, as long as the customer's set of criteria for a purchase decision is focused on the offering itself (such as the purchase cost, reliability, quality, flexibility or delivery time) the sale should be relatively traditional. Important criteria in complex sales include the following.

- The pros and cons of giving exclusivity to the supplier for an extended period of time – such as total cost of ownership, the supplier's market position, longevity, supply capacity, supply reliability, service and support
- The customer's own costs for procurement (project management for the purchase, business case study), operationalization (feasibility study, systems integration and compatibility, impact on ways of working and work-flow, scope for reorganization and business deve-

lopment, mobilization), implementation (training, installation, service and support) not to mention transition costs due to business and work-flow discontinuities (routinization of innovations) – change is expensive
- Risk exposure and the horizon for business planning (supply side market volatility and supplier risks; demand side market volatility and own business risks)

2.3 Kraljic's purchasing model meets Prosales sales logics

Kraljic's purchasing model illustrates sales scenarios. Kraljic's model is for purchases that the company deems necessary, hence the existence of "bottleneck items". No offering with low profit impact and high supply risk will result in a purchase unless the customer absolutely needs whatever is offered. In the case that the supplier actually supplies a bottleneck or "must-have" item, it's a seller's market and normal rules go out the window.



2-2, Kraljic's purchasing model. Profit impact means mostly potential for cost savings

"Leverage items" represent deals that risk being semi-complex for the supplier. Since it is a buyer's market, the customer can force concessions out of suppliers. As long as the supplier stays in the concession spiral, salespersons spend a lot of time on lousy deals – semi-complex business. If the supplier cannot win the price-performance war (by optimizing operations for superiority on hard differentiators), then one option is to escalate the opportunity: identify and create profitably implementable values that the customer is eager to pay for – any offerings that impact e.g. the customer's value chain, organization, business planning, strategy or finances. If no implementable offering can be found that represents value to both supplier and customer, forgo the opportunity and turn to companies where that is the case.

2.4 The price of semi-complex business

Trying to standardize when the customer wants customization means a lost deal or a loss in profitability since the salesperson will be forced to make concessions on the standard offer to satisfy the customer. The need for negotiations will result in an poor per-sales-hour profitability. Managing objections is one thing, but when the salesperson starts changing the offering or adding to it or subtracting from it, she better have the time, resources, interest and ability to *leverage the supplier's competencies and capabilities for the customer's specific problems and possibilities to define and communicate (and gain acceptance for) a value that the customers' influencers and stakeholders find relevant, urgent and affordable.* Otherwise, the negotiation will consume sales hours and result in a lousy deal. Sending a salesperson that is ill equipped for customization where such an approach is needed means revenue forgone. Of course, the responsibility lies not only with the individual salesperson. The state of the presentation materials, negotiation mandates, sales tools, technical or specialist support, etc, will affect not only the sales time expenditure but also the probability of closing the deal.

The same result is obtained when the salesperson goes in with a full customization approach when the customer is in the market for standardization. Maximizing the value of opportunities is the entire point of complex sales logic, but customizing for a potential that is not there results in poor per-sales-hour profitability. Sending a salesperson eager to customize where it is not needed means revenue forgone. A third way to end up with semi-complex business is to focus on reducing cost of sales in complex sales – stretching the salesperson too thin on too many opportunities. Maximizing deal value takes time; if the salesperson can't spend enough time on each opportunities, deals will not only not be maximized but the opportunity itself may be jeopardized. Again, when the opportunity is not addressed according to the complexity of the customer's purchase decision, the result is revenue forgone. *Semi-complex business is simply lousy business – a lot of work for little gain.*

Semi-complex business is simply lousy business – a lot of work for little gain.

3. Organizing away semi-complex business

Salespersons should be assigned either to traditional sales or complex sales. Not because salespersons can't excel at both traditional and complex sales (those individuals exist), but because there is no single management model that can encourage a salesperson to do both traditional and complex sales at the same time.

In addition, a model that does not explicitly encourage either traditional or complex sales will encourage semi-complex business, by omission if not intentionally. To reduce semi-complex business and increase B2B sales profitability across the board, opportunities for traditional sales need to be managed according to traditional sales logic, and opportunities for complex sales according to complex sales logic. This calls into question the functions needed for dealing with opportunities according to the complexity of the customer's purchase decision.

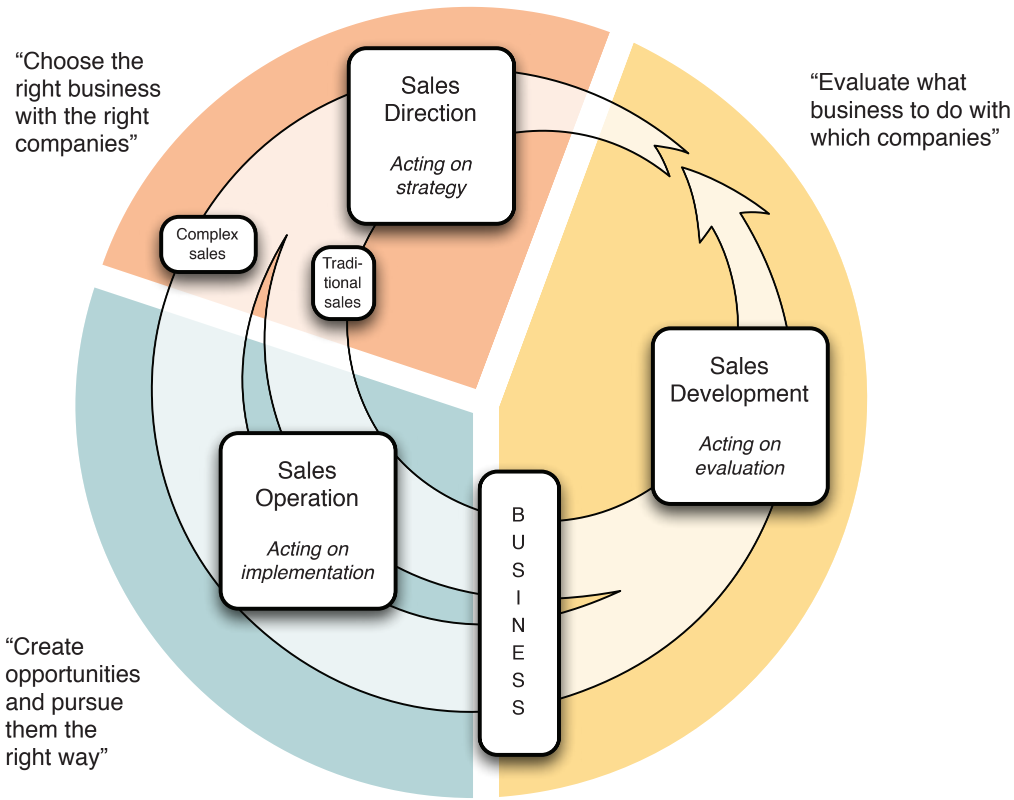
3.1 Sales logic segmentation and sales development

A strategic function for sorting companies (customers as well as leads) into the complex sales or the traditional sales funnel is absolutely necessary. Additionally, the sales leadership will need to institute a function for developing models and indicators that allow them to segment leads and qualify opportunities according to sales logic. These functions are directly motivated by four of the five most significant success factors of the *Prosales Effectiveness Benchmark*. The sales logic segmentation controls "the percentage of semi-complex business" and "organised prequalification" (shared with the next function), and expresses "development orientation" (and "evaluation of deals won and lost" in particular) and "sales orientation" together with the evaluation function.

This needs to be explicit – a major problem in most companies is the lack of business evaluation and the lack of acting upon the results of the evaluation.

This needs to be explicit – a major problem in most companies is the lack of business evaluation and the lack of acting upon the results of the evaluation. *Sales Efficiency Study III gives hard evidence that companies that do dedicate attention, time and resources to evaluating deals won and lost and do act on the results have higher annual revenue growth and higher operating margins than companies that don't; the size of the difference in results is in the order of 5-10 percent on annual revenue growth and 2-6 percent on gross margin.*

Prosales is not alone in claiming that a focus on development makes financial sense and causes bottom-line happiness. McKinsey's report "Organizational health: the ultimate competitive advantage" provides hard evidence that taking strategic development seriously leads to increased organic growth, in both revenue and profits. The central organizing principle in Prosales model is to connect the post-sale functions, called Sales Development in the figure below, with the pre-sale functions, called Sales Direction, to allow for customer-oriented sales development.



3-1. Central organizing principle for the three central management areas of any B2B sales unit.

The sales unit and the go-to-market organization

The primary concern of the sales unit is the sales logic segmentation of the addressable markets is. Now, the sales unit is part of the go-to-market organization. The purpose of the go-to-market organization is to coordinate the managements of the company’s markets and products, as well the management of its sales, in differentiating which markets to address with what types of offerings. This divisionalization of the business portfolio is the primary concern of the go-to-market organization. Each division then becomes its own sales units, with the mission to actually address the markets that it is concerned with, starting with the sales logic segmentation. See 11.1 for further discussion on the divisionalization of the business portfolio.

3.2 Qualification of companies for complex sales

Complex sales benefits from division into at least two roles – a selling role that focuses on customer value and a managerial role that qualifies the leads and opportunities that the selling role is allocated to. This latter qualifying role is in itself an essential sales function – it falls upon the sales leadership to make sure that the company is doing the right business with the right companies, where ‘right’ aligns vision, mission, market strategy and profitability. This function is motivated directly by two of the five most significant success factors in the Prosales Effectiveness Benchmark, and one of the runners-up. The two are “organised prequalification” (this function shares that glory with the sales logic segmentation) and “division of responsibility” (which is all its own). The other success factor is “steering for customer value and organised post-qualification”, which it shares with the complex-sales-side of the next function.

3.3 Division of the sales force into T-sales and C-sales

Sales Efficiency Study III shows that traditional and complex sales both have four main success factors, as listed below. Individual aptitudes and values determine a lot of the success in both traditional and complex sales. The two sales logics requires different mentalities, which means it is necessary to divide the sales force into two separate sales forces. To achieve this, salespersons, managers and other coworkers need to be audit for role suitability. This is a HR function rather than a sales function, which further necessitates routines and channels for collaboration between HR and Sales.

Success factors in traditional sales

Drive index	Traditional Praxis	Steering Model: Activity	Index: Simplicity
Need for achievment	Cut down the sales cycle	Number of customers meetings	Work independently
Competetiveness	Sales Competitions	Numbers of offers	Tools /Models
Belief in success	Meet many customers	Number of sold products	Product bundling
Goal Focus	Customers equally important	Volume/turnover (revenue)	Routines and goals

Success factors in complex sales

Customer value orientation Index	Complex Praxis	Steering model: Customer value and post qualification	Division of responsibility
Customer and business awareness	Correct prioritization	Customer value / Satisfaction	Clear divisions of responsibility
Willingness to cooperate	Longterm business	Conversion rate/Hitrate	Salesperson's task to identify and create customer value
Problem solving skills	Choose carefully	Qualified sales projects	
Relationship builder	Customers values differ	Goal attainment/customer card	
		Customer planning Activities	

The effect of semi-complex business eclipsed the effects of proper T- and C-sales out of significance in the regression analyses on operating margin and annual revenue growth (except the positive effect of "steering for customer value and organised post-qualification" on annual revenue growth for companies with a large percentage of complex sales). However, their effects on prospecting frequency and on deal order value was highly significant.

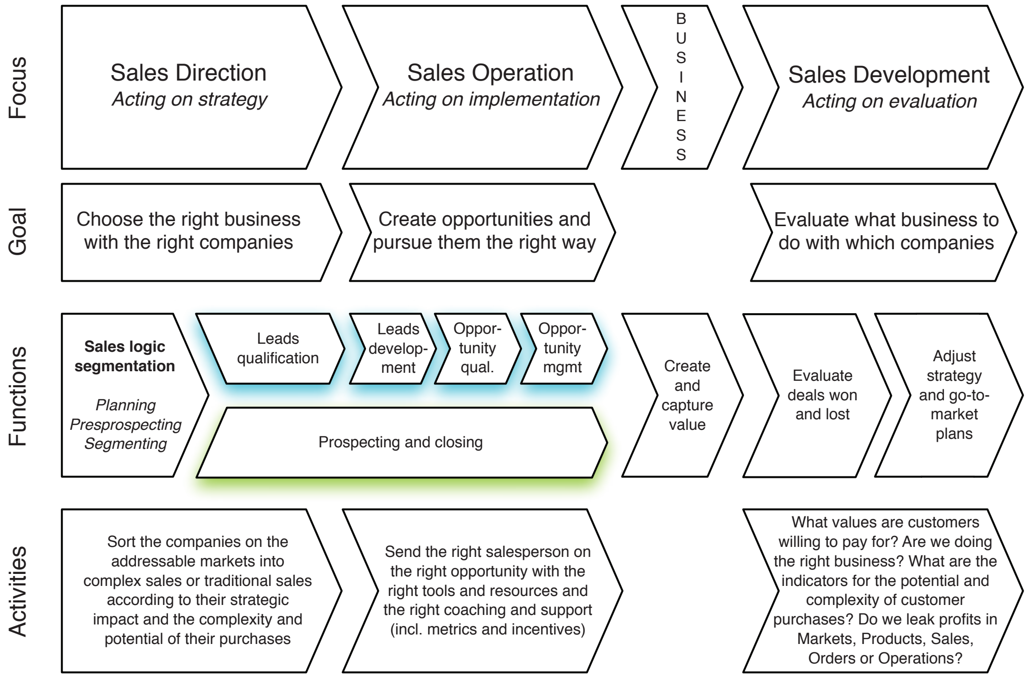
3.4 Second-order sales functions

With these functions in place, everything else becomes a matter of operational fine-tuning. Of the secondary sales functions, the two most notable are management of future and current accounts and hand-over of opportunities between T-sales and C-sales.

It is important to start with the most strategically important sales functions. While it may be tempting to start addressing the problem of semi-complex business on an operative level – for instance, investing resources in securing an effective identification of opportunities for complex sales and handing such opportunities over from traditional sales to complex sales – it simply addresses the *symptom* of the problem rather than its *cause*, which is the lack of sales leadership in sales logic segmentation. The company would substantially increase the cost of sales (viz. the resources needed to continuously perform the hand-over function) but may gain little by it. While there would be a gain in complex sales, it may be eclipsed by a loss of revenue in traditional sales – if salespersons need to dedicate time to the hand-over function they have less time for prospecting. Hence, the company is better off investing in sales logic segmentation since that function reduces semi-complex business at the root and thus the revenue forgone due to semi-complex business.

3.5 Customer-oriented sales development as a process

The figure below summarizes chapter 3 as a logical process. The linearity of the process illustrates how the functions connect to each other.



3-2. The sales development process

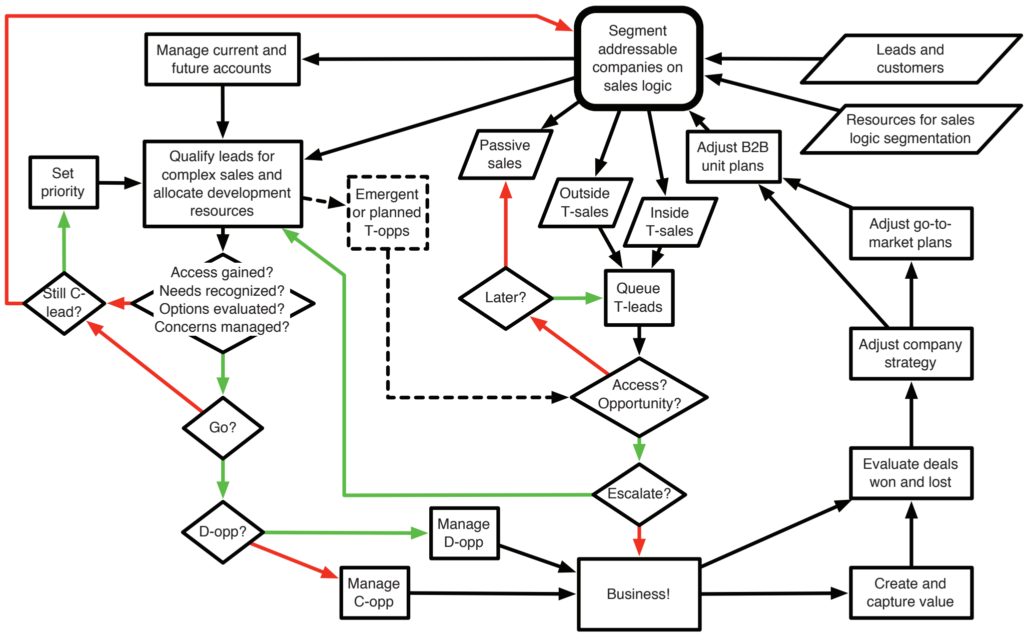
It should be noted, however, that in actual practice the sales direction, the sales operation and the sales development are parallel and continuous work-streams. The directional activities must continuously feed the operational activities, and the developmental activities must continuously feed the sales direction (and the go-to-market organization, for strategy adjustments) to increase market relevance and sales effectiveness.

4. Business-centred B2B sales function flowchart

Chapter 3 provided an inventory of important sales functions, which can be expressed in four parts as "the B2B sales mission".

1. Do the right business with the right companies
2. Send the right salesperson on the right opportunity with the right tool and resources and the right steering and support
3. Pass deals won to order management for value creation
4. Evaluate deals won and lost for sales, business and organizational development

Work in the sales organization flows from the Sales Direction to the Sales Operation to Sales Development. The chart below describes how these functions connect to each other. In most sales organizations most of the functions are already there *but not connected properly*; most of the boxes may exist but not the arrows.

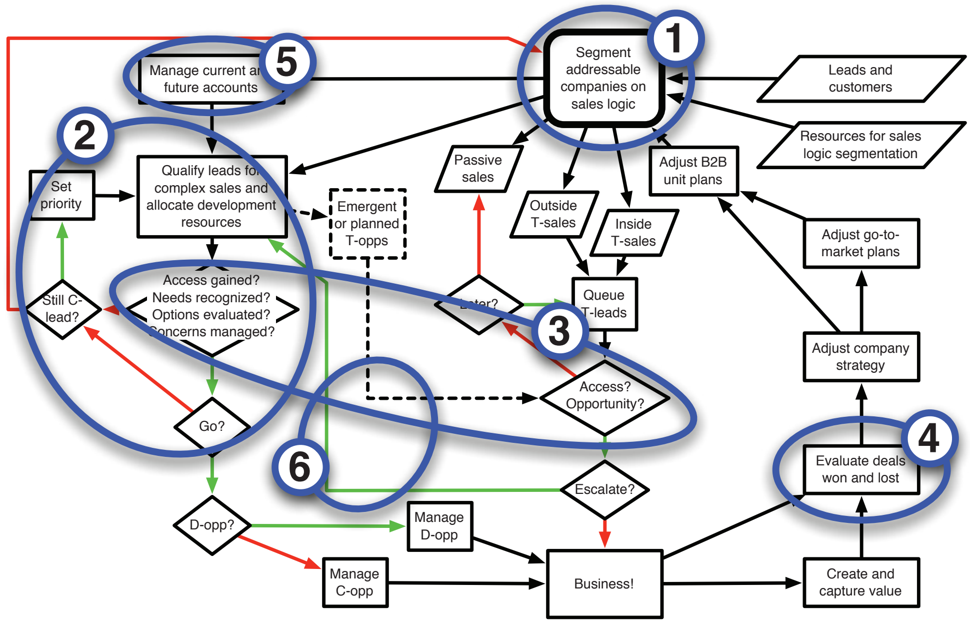


4-1. B2B sales function flowchart. Rounded rectangle: start. Rectangle: function or process. Parallelogram: input, output or resource. Diamond: explicit decision point (always part of a process). "Leads" are all the companies that the customer has an interest in doing business with. "T-leads" and "C-leads" refer to leads for traditional sales and leads for complex sales, respectively. "C-opps" and "D-opps" refer to opportunities for complex sales and opportunities for distributed sales, respectively.

This flowchart encompasses the necessary B2B sales functions as seen from the point of view of business. In this the chart is similar to what Rackham, MillerHeiman and Microsoft describe (viz. tasks that need to be done in the course of doing business), albeit with a larger scope. Where the chart distinguishes itself from its worthy forebears is in the strong focus on sales evaluation and development of strategy, business and organization. As noted in 3.1, connecting the pre-sale, sale and post-sale functions into a development process by making business evaluation and strategy adjustment integral parts of the processes is good business sense.

4.1 Organizational challenges of the B2B sales functions loop

The figure below shows the organizational challenges described in chapter 3 that need to be addressed in order to ensure effectiveness and profitability in mixed-logic sales.



4-2. Priority for organizational challenges of the B2B sales functions loop. 1: Segmentation of companies according to sales logic. 2: Qualification of leads and opportunities for complex sales. 3: Division of traditional and complex sales. 4: Business evaluation. 5: Management of current and future accounts. 6: Management of hand-overs between T-sales and C-sales.

The first two challenges (1 and 2) are strategic in nature – doing the right business with the right companies (operationalization of strategy). Both of these falls under the domain of the sales leadership.

The second two challenges (3 and 4) are about the proper implementation of the first two. In order to do the segmentation properly, sales managers need knowledge about which companies can be matched with what values. As such, business evaluation is a central concern of the sales leadership. In order to pursue both C-sales and T-sales properly, the existing salesforce needs to be split in two and organized independently of each other; this is the main mandate of the sales management.

The last two challenges (5 and 6) are operative in nature; they're all about fine-tuning the implementation of the B2B strategy. Strategically speaking, account plans for current and future accounts fall under C-sales, but will benefit from specific management routines – account management is a subset of C-sales where the lead development process is indefinite and in need of planning (which in turn needs structure) and of definition of and assignment to roles as account manager and account developer (customer acquisitions are treated as accounts). Management of hand-overs is about catching errors in the sales logic segmentation and the qualification for complex sales

4.2 Distributed sales

The flowchart refers to opportunity management for distributed sales (D-opp management), which is very much an organizational challenge. That challenge, however, is not related to semi-complex business, which is why it is not listed above. Chapter 7 contains a short description on dealing with distributed sales.

5. Sales logic segmentation

As mentioned, traditional and complex sales are different kinds of beasts. They not only require different kinds of management and salespersons, they require quite different kinds of go-to-market organizations as well. It is these differences that makes sales logic segmentation the strategic hub of B2B sales – without it, the company have no means to minimize the occurrence of semi-complex business.

Sales logic segmentation is the major part of doing the right business with the right companies. This function has a simple goal: *determine what sales effort to expend on which companies* or on which category of companies. Different companies have different purchasing behaviours, influenced in no small part by the impact of the supplier's offering on the customer's enterprise, organization or personnel. There are five levels of sales effort: account management, normal complex sales, outside traditional sales, inside traditional sales and passive sales. The last level amounts to no sales effort at all – passive sales is about inbound orders from the demand created through marketing efforts. Account management is complex sales with an extra layer of business development planning for creating a series of opportunities that develops the account towards the long-term goals.

The mantra for sales logic segmentation: "Will we be better off dealing with this company according to traditional or according to complex sales logic? Or are we better off not wasting sales resources on this company at all?"

First, sort the potential and actual customers on the addressable markets for the supplier's offerings into the funnel for traditional sales or the funnel for complex sales. Basically, for each company, decide whether to go with a customization or standardization approach. This requires gauging the probable complexity and decision criteria in each company's purchasing process. The better this function, the less frequent the mismatches between sales logic and customer's purchase complexity, and the fewer the semi-complex deals.

The next step is to decide whether the sales effort will be worth it. This is mainly interesting for the companies in the complex sales funnel, due to the high expenditure of sales resources for each company. Gauge the business potential of the companies and their alignment with the supplier strategy. Companies that are strategically unsuitable and without potential get bumped down to the traditional sales funnel or moved to passive sales. While this screening of leads can be performed within each sales funnel through prospecting, the screening will gobble sales resources. If the dud leads instead can be weeded out by analysis, the supplier can increase sales productivity and reduce its cost of sales.

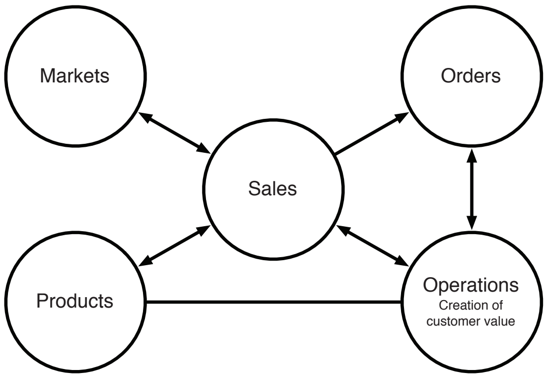
Divisionalization of the business portfolio

As noted in 3.1, the work with sales logic segmentation performed by the leadership of the sales unit presupposes that the go-to-market organization has divisionalized the business portfolio. If the divisions are not differentiated in terms of their addressable markets or their buyers in the addressable companies if they operate on the same markets, the sales logic segmentation function will be landed with an impossible work-load. The function will need to do the job of the go-to-market management as well as doing its own job.

5.1 Go-to-market organization for complex and traditional sales

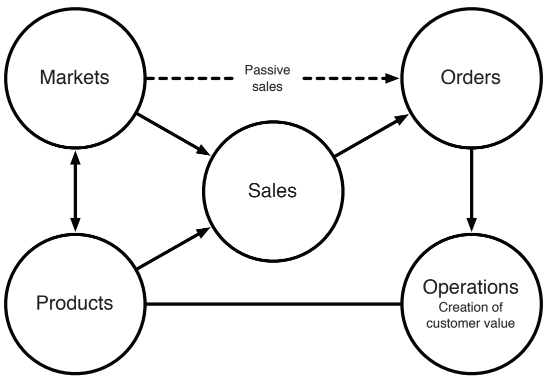
In general terms, the company needs specific functions for managing its markets, products, sales, orders and operations, respectively, in order to be able address its markets with the proper offerings in the proper way and then process the orders expediently for profitable value creation. This chain is the go-to-market organization.

Now, complex sales originates with the customer and the specifics of the customer's situation. In complex sales, Sales is placed squarely at the center of the enterprise. Sales has the unenviable task of coordinating with the managements of Markets, Products, Orders and Operations while coordinating with the customer, in order to secure a profitably implementable value that the customer finds relevant, urgent and affordable. In a very real sense, the management of complex sales implements company strategy, at least in terms of B2B, and puts it into operation. Sales has to take the lead in getting answers to questions like "What can we offer our customers? What are our markets? What *should* we offer our customers? What kind of markets and companies should we be moving towards?").



5-1. Functional go-to-market organization for complex sales. The line between Products and Operations is solid, because of their high integration (to the point of fusion). Note that bi-directional arrows represent coordination and collaboration. Complex sales is largely non-linear, because customization of value requires frequent collaboration between the functions; distributed sales is nothing but collaboration.

Traditional sales operates on standardization. This means that Products and Markets do their thing, and that Sales takes the result and pushes the specified offerings onto the specified markets, upon which Orders puts business onto the path to customer value via Operations.



5-2. Functional go-to-market organization for traditional sales. The line between Products and Operations is solid, because of their high integration (to the point of fusion). The go-to-market organization for traditional sales has four *linear* functions. First, there is Products-Markets collaboration. The fruit of their work, a standardized offering for an addressable market, is passed to Sales. Sales addresses its market and feeds Orders. Orders feeds Operations, which creates the value for the customer.

The figures above encapsulates the differences between traditional and complex sales, and thus the need for sales logic segmentation and qualification of leads for complex sales. The go-to-market organizations for traditional and complex B2B sales, respectively, are quite different, which underlines the need for dividing C-sales and T-sales in the first place.

5.2 Secure collaboration between Sales, Markets and Products

The very expression "sales logic segmentation" connects the function with segmentation in general while at the same distinguishing the function from it. Many sales organizations focus solely on current volumes, revenue and profits in their segmentation for dividing the sales resources across the customer base. The lack of focus on customer potential (e.g. future volumes, revenue and profits) represents opportunities lost. For opportunities not lost, the lack of focus on customer behaviour represents revenue forgone due to semi-complex business. The very point of sales logic segmentation is to start from the complexity and potential in customers' purchases. *Evaluation of deals won and lost – learning from the past – to predict future customers is an essential part of successful sales logic segmentation, not least to establish indicators for purchase complexity and purchase potential.* But many sales organization do not connect its quarterly business review to sales development. Instead, it is common to see one segmentation model for management of current customers and a totally different segmentation model for management of customer acquisitions.

> Many sales organizations focus solely on current volumes, revenue and profits in their segmentation for dividing the sales resources across the customer base. The lack of focus on customer potential represents opportunities lost.

The main concern of sales logic segmentation is choosing the right business with the right companies. On a company-wide level, one assumes that there is a business strategy and a go-to-market plan that has the participation and assent of Marketing, Products and Sales and that describes what the company has to offer for which markets. There may be a customer segmentation based on other factors, but the sales logic B2B segmentation need to segment on the potential and complexity of the customer's purchase and the customer's alignment with the supplier's strategy (such as strategic relations, preferred customer groups, campaign targets). Cooperation with Markets is essential for effective segmentation, since they can be assumed to have market information on the companies in question and the analytical wherewithal for business evaluation to help categorize them. Cooperation with Products is essential, since they can be assumed to know what values the *supplier* has capacity for and what values can be developed.

Generally, knowledge about how to segment customers on purchase behaviour can be found within the marketing department, and especially within demand analysis and demand creation on consumer markets (B2C). Segmenting consumers according to purchase behaviour has been part of marketing for quite some time. However, these models have not carried over into company strategy and have therefore not formed a foundation for other parts of the organization. And without a common platform, Sales, Markets and Products cannot cooperate effectively.

5.3 Start with the strategically important companies

While this function benefits greatly from business evaluation for knowledge about created and possible customer values, and about which companies are willing to pay for what values to perform its job properly, *it can and should start without it*. While sales logic segmentation depends on analysis to be truly effective, *the function can be fruitful even without models and* *indicators.* It is far more important to set the segmentation in operation than engineering a perfect model for accurately segmenting every company on the addressable markets. As long as at least some companies are being funneled into complex sales, sales management can move on to initializing the qualification process for those leads. Expansion and refinement of the sales logic segmentation function can wait until later.

It is far more important to set the segmentation in operation than engineering a perfect model for accurately segmenting every company on the addressable markets.

The sales leadership can start segmenting on sales logic and reducing the semi-complex business simply by sorting all companies that they know are of strategic importance to the supplier into the complex sales funnel in order to not lose opportunities for important business, and the rest into the traditional sales funnel. Of course, not all companies deemed strategic by the supplier seek customization; upon learning this during prospecting, Sales need to treat these companies with standardization.

Strategic importance can include factors such as current revenue, potential revenue and position on new or unexploited markets ("we need to make inroads in this sector or in this industry – funnel these companies into complex sales; we don't want to miss any opportunities for complex sales with these companies"). Conversely, this can mean that a current account that currently generates a lot of revenue can be downgraded on sales effort to traditional sales or even passive sales if the customer operates on a market that is dying or that the supplier is leaving for some other reason.

All current accounts and future accounts are best managed as complex sales; the supplier has to supply a value that makes it worth the customer's while to enter, or stay in, a business relation with the supplier. Traditional sales logic is ill-equipped to deal with account development. Planning and creating a series of business opportunities over a time horizon that can stretch years requires a customization approach.

5.4 Preprospecting

Leads should not be funnel-sorted until sales logic segmentation can qualify them for complex sales or queue them for traditional sales. This means that regardless of the collaboration with Markets, Sales may need to gather data to help segmenting various companies. Preprospecting covers all interaction through whatever media (social or otherwise) with customers, or leads, with the intention to gauge their opportunity potential or their criteria for purchase decisions. The main difference between preprospecting and normal prospecting is that normal prospecting intends to find and capture business opportunities.

Preprospecting requires interaction with customers, potential or current. As such, preprospecting is a matter of public relations and market communication and demands specialist resources.

5.5 Sales direction

Sales logic segmentation is top priority for sales managers. In fact, the most important task for Sales is the definition and choice of the right business with the right companies; sales logic segmentation is *the* strategic function in B2B sales. Salespersons (and others) can contribute to segmentation, but it is above and beyond their primary tasks.

The sales leadership must be responsible for this function. Both command and control for the sales leadership should revolve around their segmentation efforts and the results thereof. Study deals won and lost to evaluate whether the company is doing the right business with the right companies (both in terms of strategy but also in terms of semi-complex business), and feed results back to sales management.

5.6 Salesperson 'ownership' of customers is a stumbling block

As long as salespersons are responsible for their own sales, e.g. they are measured, celebrated and rewarded on revenue or profit generated, they will have a vested interest in deciding for themselves what business they will do with which companies. They will also have a vested interest in keeping access to and knowledge about the customers to themselves – whatever high-grossing customers they 'own' is a nest egg to be guarded jealously. If the salesperson shares or hands over control of 'her' customers to others she jeopardizes her own sales and thus her very own livelihood.

As long as such a incentive system is in effect, it is in the salespersons' interest to actively resist managerial attempts to instate control over who does what business with which companies. In other words, as long as salespersons are responsible for their own sales and rewarded on generated revenue or profit, managerial work on segmentation and qualification will be opposed – the salespersons will tend to pursue whatever opportunities gives them the best reward according to personal preference and ability and will tend to disregard managerial opinions on the matter.

Prosales has met several companies where salesperson responsibility for her own sales has become deeply entrenched in corporate culture. In some companies it has become part of the very identity of being a salesperson. In companies where this is the case, salesperson responsibility for her own sales needs to be addressed before sales logic segmentation and qualification for complex sales can commence.

6. Qualification process for complex sales

When funneled into complex sales, companies become leads for complex sales. It is up to sales management to see to it that these leads are developed and that business opportunities are sown and grown. Growing business opportunities takes sales resources – the salesforce is a finite resource; it can only deal with so many leads at at any one time. Which is why a qualification process is a much-needed function in the first place.

Leads get sales resources for growing opportunities according to their importance to the supplier. Not all the companies that are funneled into complex sales are equally interesting for the supplier. Importance can be a function of many factors, but the revenue (generated or potential) or the market position of the company are probably contributing factors. Feasibility and profitability of customer value are also of major importance, but those factors cannot be qualified until an actual opportunity are created. If a company is funneled into complex sales, it is assumed that any business opportunity will require customization rather than standardization. Hence, the complexity of the purchase decision is not a major deciding factor, except in a negative sense – an opportunity that requires a massive sales effort but yields a paltry projected profit may not be worth it and Should thus not be pursued.

This function takes all the companies coming into the complex sales funnel and puts them into a greenhouse for growing opportunities. The sales leadership allocates salespersons for prospecting to each lead according to continued qualification of the lead's potential and purchase complexity and the supplier's own strategy and available sales resources. The qualification-and-prospecting cycle is essentially a lead development process, where interaction with customers serves two purposes – gaining knowledge for better qualification and sowing opportunity seeds. Dead ends are continually pruned from the greenhouse and sent to traditional sales or passive sales. On the path from lead to opportunity, there are a lot tollgates or qualification criteria that need to be met. For instance, Rackham's phases in *Major Account Sales Strategy* provides a useful set of criteria:

1. Have the supplier gained access to the customer?
2. Has the customer's needs been recognized?
3. Has the customer's options been evaluated?
4. Has the customer's concerns been managed?

Once a salesperson has created an opportunity, sales management needs to qualify the opportunity on the feasibility and profitability of implementing the proposed customer value. One of the central criteria for pursuing an opportunity is the "window of opportunity". If the potential can't be realized within 12 months, it is hardly worth dedicated sales resources. If the potential can be realized within 3 months, the opportunity needs immediate attention in order to to bring it to fruition. Another central criteria for pursuing an opportunity is whether it is winnable for the supplier or not – does the supplier have a competitive offer? Can the supplier gain acceptance for its offer among all the stakeholders? Will the conditions for the customer's decision process stay stable enough for the process to reach conclusion? If the opportunity passes muster on all counts, the management for the Sales Operation needs to commit resources to actually reaching an agreement with the customer and closing the deal. The decision to commit resources also includes gauging whether the opportunity in fact requires to be managed according to distributed sales logic. If the opportunity does not pass muster, it reverts back to a lead for complex sales or, if bridges have been burned, is moved to traditional or passive sales.

6.1 Division of labour

The qualification process entails a non-trivial division of tasks, goals and responsibilities. The salesperson interacts with the customer, seeds opportunities and gathers data. The manager qualifies leads and opportunities and allocates resources. The salesperson then creates and pursues opportunities. An operative sales management concern is the creation and monitoring of salesperson activity plans – the supplier cannot achieve sales it does not have the resources for. Complex sales is, at heart, salesperson time management – sales resources should only be invested where it matters.

It should be noted that lead development (lead nurturing), opportunity creation and opportunity closure are functions that can be divided on different individuals, according to the possibilities for specialization. It's not the case that one salesperson must stick with a lead from first contact to closure of the deal and beyond. The very strength of a proper division of labour is increased productivity. While lead development is included as a part of the complex sales function, the people working as lead developers can be used for all kinds of interaction with both customers and non-customers. Interactions include customer value surveys, customer relationship management, preprospecting and leads generation.

Other managerial concerns

A further managerial concern is the coordination between Sales, Marketing, Products and Operations. Opportunities need to be aligned with market strategy and positioning, with branding, with current campaigns. Accurate estimates of the feasibility and profitability of the implementation of customer value depends on coordination with Products and Operations. Once the supplier has committed to an opportunity, coordination with Orders and Operations is necessary to ensure a smooth and precise creation of the agreed-upon customer value.

6.2 Fear of building sales cost will hinder complex sales

The qualification process lays a heavy burden upon the sales management. This burden risks causing a disconnect with sales managers – In Prosales' experience, it is common that sales managers are evaluated and controlled on their sales results and on a fairly short cycle, to boot. Typically, they also have little control over top line factors (e.g. product development, pricing, packaging), causing them to focus on what they have control over: cost of sales. In many companies, lack of top line control has institutionalized an ingrained fear of building sales cost. But proper management of complex sales forces sales managers to focus on the top line and accept higher sales cost. *Sales Efficiency Study III* shows that when it comes to complex sales, the top line is proportional to the cost of sales – giving the salesperson time to focus on customer value raises the ceiling on what the customer is willing to pay for. If sales managers are allowed to continue operating on the premises they are comfortable with, viz. cutting costs of sales, complex sales will turn to semi-complex business.

Salesperson ownership over customers

Of course, what was said about salesperson ownership of customers is true for lead qualification as well. As long as a salesperson is valued and controlled on generated revenue or profit, she will fight for the power to choose customers and opportunities herself, for her own personal gain.

7. Division of traditional and complex sales

If the supplier is to reduce its semi-complex business, the sales organization needs to match the customers' purchase behaviour with the appropriate sales approach. This demands that the Sales Direction can identify the customer's purchase behaviour in the first place. Once companies are sorted on their purchase behaviour, the Sales Operation needs to send them the right salesperson with the right mission.

This is why sales logic segmentation and qualification for complex sales gets priority in terms of which challenges to address first, because those two deal with "doing the right business with the right companies". But next is "sending the right salesperson on the right opportunity with the right tools and resources and the right steering and support", which is the mandate of the Sales Operation.

For customers that seek customization, this means that the supplier needs to send salespersons characterized by a strong customer value orientation, backed by management that can help the salesperson identify and customize relevant solutions to urgent issues and that controls her on customer value. For customers that seek standardization, this means that the supplier needs to send salespersons with strong drive and stamina, eager to close deals, backed by management that can streamline and *un-complicate* both the sales process and the purchase process and that steers the salesperson on her prospecting.

Sales organizations with diverse business often grow a mess of sales roles

Most of the sales organizations that Prosales meet have several different sales roles ranging from telesales to industry specialists to global account managers, each with its own job description, competence profile and incentive model. This is especially true for sales organizations that have different kinds of business – the sales organization has to try to manage the business diversity somehow. This becomes a problem when the diversity of business is reflected in a mess of sales roles; usually a lot of attention and energy is wasted in discussing the details of roles, incentives and profiles that are inherently flawed anyway. Since it is the complexity of the customers' purchases or relation to the supplier that create the business diversity in the first place, dividing the salespersons into either T-sales or C-sales instead yields a both succinct and simple division of labour that nonetheless can address every kind of business the company has (in terms of what the salesperson does, D-sales is mostly the same as C-sales, which account management should be as well). For the salespersons and managers in most sales organizations, the proposed model will simplify their roles and bring about a new clarity of purpose where tasks, responsibilities and control align properly with each other and with company strategy.

Talent management

To get the show on the road, salespersons, managers and specialists need to be audited for their aptitudes and values, or the sales management won't know who is the right person for the right job. However, sales management needs to collaborate with the human resource department to develop and define tools for auditing the salesforce. According to *Prosales Effectiveness Benchmark*, such tools need to be able to capture "customer value orientation" (for complex sales) and "drive index" (for traditional sales), among other things. Tools and profiles used in the audit can also be used for recruitment.

7.1 Operative C-sales management

Complex sales is about *customization*. Complex sales starts with the customer rather than predefined values, standardized offerings and mass-market products. This does not mean that complex sales cannot *include* off-the-shelf products or standard solutions, only that products is not the main concern for the customer in doing business with the supplier. Hence, it is up to the sales organization to settle agreements with the customers. In addition, it is the sales organization's responsibility to make sure that the creation of the customer value is not only feasible but also profitable.

Given the principles for revenue and profitability in complex sales, there are two roles in the operative management of complex sales. The salesperson's goal and task is customization – leveraging the supplier's competences and capacities to discover, define and gain acceptance for a relevant and urgent value that the customer is willing to pay for. The sales manager's goal and task is profitability. The salesperson should be single-mindedly focused on customer value, and the sales manager's job is to decide which leads and opportunities to unleash her on. He is focusing on the value for the supplier, while she is focused on the value for the customer. As mentioned, Prosales has hard evidence from *Sales Efficiency Study III* that this division of labour is more effective than charging the salesperson with the responsibility for both the customer value and the profitability of its implementation.

There is little point in detailing the salesperson's job in this text, since it is already well known from the literature on consultative selling, strategic selling, solution selling and major account sales strategy. What can be added is the focus of the control system for complex sales – what salespersons should be monitored and evaluated on.

- Customer value generated
- Share of qualified opportunities won
- Activity plans (activities for lead development and opportunity creation)

Furthermore, they should be monitored on nothing else, to maintain purity of purpose. Management-wise, this requires a supporting function that gathers data on the creation of or the lack of customer value.

Speaking of managers, controlling sales management is as important as controlling salespersons, if not more important – if managers are not controlled in alignment with strategy, they, in turn, will not be able to control the salespersons properly. Sales management for complex sales should be monitored and steered on the

- Share of qualified opportunities won
- The profitability of deals won

The point of sales management for complex sales is proper qualification and management of business opportunities – the salespersons should be able to win all the opportunities that management commits to winning. Proper opportunity management includes making sure that opportunities pursued are profitably implementable. Per-opportunity sales cost is of minor importance, given that customization takes its share of sales resources.

Pitfalls

In Prosales experience, there are few salespersons that do not enjoy helping their customers. Not all salesperson have the skills or the mentality to do it well, though, but that is a matter of auditing and proper training and deployment. Finding sales managers for complex sales may prove far more difficult – many sales managers simply do not grasp complex sales; they are locked in on traditional sales logic, which will be counterproductive in complex sales.

Complex sales requires more organization than traditional sales

Operating on complex sales logic results in fewer but more substantial deals, meaning that the revenue stream will be chunkier and more granular than for traditional sales which is all about a continuous stream of comparably small deals. When the supplier relies on a few large deals for survival, losing a deal is dangerous. The solution is not to lower sales cost because that will lower the top line of the deals as well. The solution is to properly qualify leads and opportunities – there is no percentage in pursuing deals where the potential for creating value for either the customer or the supplier or both is lacking. Treat each customer as a unique opportunity and focus on maximizing each opportunity.

Complex sales needs more organizing than traditional sales (distributed sales even more so). Not only is there need of qualification of leads and opportunities, there is more need for operative coordination between salespersons and sales management and between the managements for sales, products and markets. The need to manage complex sales combined with the lack of organizational templates for dealing with both traditional and complex sales is what motivates the existence of this very text.

7.2 Distributed sales

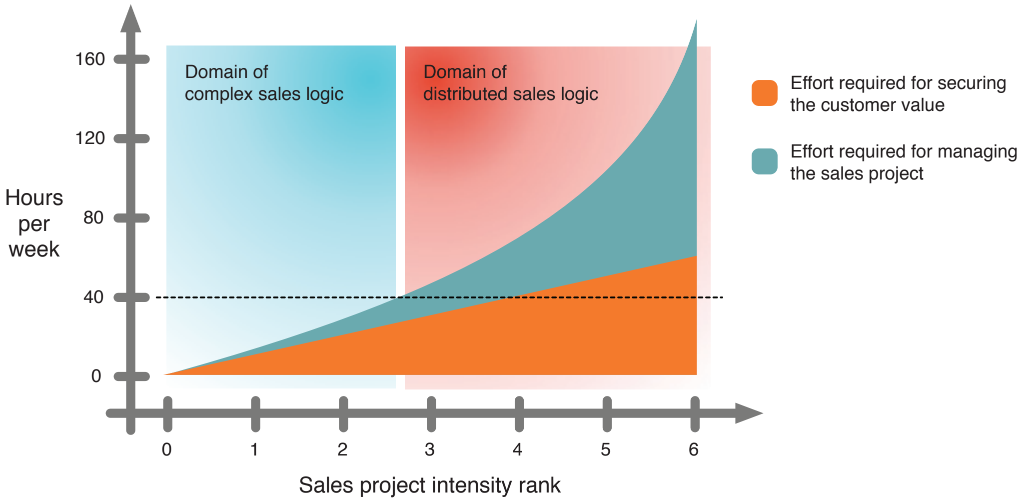
Distributed sales is a subset of complex sales. Distributed sales encompass all deals where the effort to

1. Discover and define a customer-specific value that is relevant and urgent,
2. Prove the value to be feasible, implementable and deliverable within specified limits, and
3. Align it with all associated stakeholders from both the customer and the supplier (and associated third parties),

involves so many specialists for so many different tasks that it needs to be organized as a temporary enterprise in its own right. "Distributed sales" is the proper label when the pursuit of a single business opportunity requires all the competences of the go-to-market organization (e.g. when Markets, Products, Sales, Orders and Operations needs to have full-time representation right from the start), as well as a 'executive officer' to head the distributed sales project and coordinate and spearhead all the functions and special interest groups involved, *just to prove the feasibility and relevance of the customer value*. The effort and organizing involved in actually creating the agreed-upon value is another thing entirely.

Distributed sales logic

Complex sales usually requires the salesperson to have some specialist support. The salesperson may need to bring a team of specialists to leverage the competences and capacities of the company in order to reach an agreement with the customer ("team selling" or what Rackham calls "enterprise sales"). The salesperson's burden of resource management and project administration as head of the team grows in proportion to the complexity of the customer's purchase decision; the number of tasks and steps that need to be completed to secure customer value increases. *There will come a point when that burden grows big enough to detract from the salesperson's ability to define and gain acceptance for a relevant and urgent value that the customer is willing to pay for.* At that point the company will start forgoing revenue unless it switches to distributed sales logic. Complex sales relies on the division of labour between securing value for the customer and securing value for the supplier. Distributed sales goes one step further and also relies on *the division of labour between securing customer value (salesperson's role) and sales project management (manager's role) of securing value for the customer*.



7-1. Domain principle for distributed sales logic. The sales project intensity rank is a function of the purchase complexity and the time frame. For instance, a business opportunity where the salesperson needs to align 2 central stakeholders address on 3 major decision criteria in 3 months has a lower intensity rank than a business opportunity where the salepersons needs to align 11 stakeholders on 7 decision criteria in the same time frame. The higher the intensity, the higher the workload. The effort required for securing the customer value rises linearly with the intensity but the effort required for managing the sales project, what with all the specialists that need to be requested, scheduled and allocated to deal with every stakeholders' every issue and concern, rises exponentially. Hence, when the burden of both securing customer value and managing the sales project becomes too much for one salesperson, a project manager needs to step in, or else the lack of focus, time and competence will jeopardize the entire project.

Securing customer value versus sales project management

When the sales effort in pursuing a business opportunity is small enough that the salesperson can head a team of specialists all by herself without impairing her ability to reach an agreement with the customer, it follows complex sales logic. As long as the salesperson can handle both securing the customer value and managing the sales project, the effort *does not* warrant the label 'distributed sales'.

Securing customer value is about value discovery and definition, mobilizing and aligning stakeholders for change, defining tollgates in customer decision process, charting feasibility and implementability studies (e.g. analysis of TCO and ROI). Sales project management is about two types of things. First, *project administration*, which includes monitoring tollgates for customer decision process; task break-down of project steps; activity plans for all individuals involved; project timeline; documentation; monitoring of stakeholder politics and assent. Second, *resource management* (human and otherwise), which includes scheduling of resource needs; requisition of resources needed; coordination of task groups. Suitability for securing customer value and sales project management are negatively correlated; people tend to be suited for either, not both. Looking back at Prosales suitability index for complex sales, viz. customer value orientation, it deals with securing customer value. Sales project management is rather a hygiene factor in complex sales; the salesperson needs only to do enough management in the pursuit of opportunities not to mess things up when it comes to winning the opportunity or creating the value. *When the management burden comes large and complicated, poor managerial ability will jeopardize the opportunity*.

Organizing for distributed sales

Organizing distributed sales is not only tricky in itself, but also in terms of whether distributed sales dominates the company's business or not. Dealing with distributed sales is different when a company only sporadically pursues opportunities for distributed sales compared to a company where that is a common occurrence or where it defines normal sales.

When distributed sales is uncommon

As long as business opportunities that need distributed sales logic are sporadic, the sales logic needs only a preparedness to manage one distributed sales project at a time. Note that the 'project' part of a distributed sales project is an enterprise in its own right – the opportunity involves the entire customer company, where the customer stakeholders are plentiful enough to constitute a market all by themselves. This warrants that the supplier provides representatives from Markets to do the marketing thing (e.g. demand analysis and demand creation) properly – the communication and interaction with the customer must be in alignment with the supplier's overarching market and branding strategy. Products, Orders and Operations also need to have representatives in the distributed sales project to help Sales first discover a relevant and urgent value and prove it to be feasible to the customer and then prove it to be winnable and profitably implementable to the supplier.

Distributed sales projects raise serious organizational challenges. Distributed sales projects demand efficient project management to secure both customer value and supplier value. This demands efficient matrix management from the supplier in order to combine the normal divisional or functional structure with project management. The salesperson spearheads the effort to secure customer value, which means managing the project members with respect to the representatives from the customer's functions for procurement, human resources, legal concerns (terms and conditions), product development, operations and whatever stakeholders and functions are involved on the customer's side of the distributed sales project. At the same time, the project members are managed on the supplier's side by Products, Markets, Orders and Operations (and whatever other functions are involved).

There is at least four different 'officer' roles at the top of the distributed sales project hierarchy. The director heads the qualification effort to ensure the strategy alignment and profitability of the project. The salesperson heads the effort to secure the customer value. The project manager heads the effort involved in project administration and resource management and logistics to ensure that the salesperson gets the necessary resources at the right time. The value creator (from Products or Operations) heads the effort to ensure that the agreed-upon value is feasible and implementable.

When distributed sales is normal

For companies where distributed sales projcets are common or normal occurrences, the organization involved accrues another layer. When the company pursues several distributed sales projects at the same time, business governance becomes an issue – strategy, resources and internal politics become serious concerns. No company has unlimited resources, which means that sales enterprise resources need to be allocated according to priority. Neither the distributed sales project 'director' nor the project manager can just request the necessary resources. The company will need both a decision base (consensual standards for qualification and evaluation of sales enterprises) and a decision forum for discussions and rulings for distributed sales projects in actual operation; various supplier stakeholders have their own pet business projects, and they have to agree on the allocation of company resources. *And the same goes for the projects on the customer side, where a 'distributed purchase project' may be simply one of several major procurement undertakings.*

7.3 Operative management of traditional sales

The difference between traditional sales and complex sales can be summarily characterized as 'pushing products' versus 'pulling customers'. As market methodologies, both are equally valid – the trick is knowing which companies respond well to what methodology and adapt sales logic accordingly. Most sales organizations are already fairly familiar with traditional sales. Many sales organizations are very good at it, in fact. This is a mixed blessing, however, since many of the lessons learned in an organization primed on traditional sales are counterproductive in complex sales.

Traditional sales is all about taking a standardized product to a mass market, through either face-to-face sales or telesales. Either way, the goal should be to address the entire market to catch each and every company that is in the market for what the supplier offers. Hence, there are two parts to traditional sales – prospecting and closing; the supplier needs to find all opportunities, and then to close those deals. Prospecting, seen in isolation from closing, is about raising the quality of the leads list by weeding out companies where there are no opportunities. Prospecting without intention to seize opportunities is properly called *pre*-prospecting and is an activity in the sales logic segmentation.

Prosales claims above that complex sales requires more organizing than traditional sales. That is not to say that traditional sales is organizationally trivial. Traditional sales is part of a fairly standard line organization. The Products-Markets collaboration gives the addressable markets and the offerings to address them with. Sales addresses the markets and feeds Orders with, well, orders, and Orders pass the results on to Operations for creation of customer value.

> This means that Sales should not have profit-and-loss responsibility, because Sales cannot control the company's top line.

This means that Sales should not have profit-and-loss responsibility, because Sales cannot control the company's top line. The Products-Markets collaboration has to shoulder responsibility for doing the right business with the right companies. Sales can only take responsibility for pushing the product to the market as expediently as possible, and for passing deals won to Orders. Hence, sales management for traditional sales has only two concerns: *productivity* and *administration*. 'Productivity' encompasses two things: monitoring of salesperson activity plans and simplification of the purchase and the sales process. 'Administration' is the code word for the simplification of the hand-over from Sales to Orders.

Traditional sales representatives

Productivity management means managing the traditional sales representatives. This boils down to monitoring salespersons' activity plans. The salesperson's job is to go prospecting through the list of leads. The point of prospecting is to find companies that are in the market for what the salesperson has to offer, whereupon the salesperson must seize the opportunity.

The salesperson has no control over the quality of the leads, and especially so if the salesperson is assigned to a territory or district. This makes it less than ideal to evaluate salespersons on orders taken, especially if they are remunerated on orders taken, because their pay would then depend on factors over which they have little control. But salespersons can and should be evaluated on the number of prospects (e.g. contacts) and then monitored and coached on (*a*) identifying opportunities and acting upon them (based on the salesperson's ratio of orders to prospects), and (*b*) the time spent per prospect.

Monitoring the time spent on each prospect is important, since per-prospect resource expenditure is crucial to efficiency in traditional sales. But time expenditure monitoring has to be non-intrusive and preferably automated. Since the point is to reduce the per-prospect sales cost it would be counterproductive to task the salespersons to detail time reports. This also means that while salespersons should be able to manage objections, going into negotiations to change the offering or making concessions in order to close the deal is a no-no. That way lies semi-complex business.

Management of traditional sales

A key to success in traditional sales is the time expenditure per prospect. Managers have no control over the top line – which is a matter of market relevance – but they can control the sales resource management. The less sales resources that need to be expended to prospect a company, the more companies can be prospected given the same amount of sales resources. Hence, management need to monitor per-prospect time expenditure and work to reduce it. This can be accomplished either by making it easier for the customer to purchase the offering or making it simpler for the salesperson to sell it. It can also be accomplished by increasing the market relevance of the offering, but that lies outside the remit of the sales management. Management also need to monitor the activity plans of the salespersons to make sure that sales don't falter simply for lack of effort.

When the sales management do a good job, the per-prospect time expenditure should go down and the order count per unit of time should go up, both of which are measurable.

The future of traditional sales?

The profitability principle for traditional sales is reducing per-prospect sales cost. Effective standardization might make it possible to pursue traditional sales over telesales (or other channels). If standardization proves difficult, the sales organization can go for customization instead and let the companies targeted for traditional sales be soaked up by functions for passive or reactive sales.

8. Business evaluation

While evaluation forms a combo with segmentation, it is far more important to get the sales leadership up and running than doing it right from the start. Start with doing the right thing, then step it up by learning to do it the right way. Once the sales leadership has instigated the sales logic segmentation, the qualification process for complex sales and the division of traditional and complex sales, business evaluation is the logical next step. In addition to the text below, the McKinsey report "Transforming sales" contains good pointers on business evaluation.

Business evaluation is a crucial function, since it allows the organization to learn, develop and grow. *Specifically, it allows the organization to increase its market relevance (sales effectiveness) and profitability (sales efficiency)*. The main concern is to learn which companies are willing to pay for what values. In order for this function to, well, function, it needs data on deals won, for the customer values created, and on deals lost, for the reasons for the non-creation of urgent and relevant customer values. Hence, the first order of business is to contact customers and non-customers to get the necessary data. Now, it is no trivial matter to find the right set of questions to ask, but it is far more important for the organization to get into the habit of gathering data on customer values created. It is better to plunge forward than to wait for perfection.

Evaluation of deals won and lost serves multiple purposes. Foremost among these are the ones that deal with doing the right business.

- Business development: created value and possible values; market relevance and market potential of these values
- Segmentation and qualification development: indicators for the potential and complexity of customer purchases
- Strategy evaluation and sales leadership performance review: do deals won actually express the right business with the right companies?

Second, evaluation serves purposes that deal with doing the right business the right way.

- Profitability analysis: are there specific issues in Products, Sales and Markets or their respective that can be addressed to increase profitability?
- T-sales manager performance: reduction of sales hours per deal (an expression of customer acquisition cost)
- C-sales manager performance: per-deal profitability (quality of opportunity qualification) and share of qualified opportunities won (quality of opportunity management)

Third, business evaluation lends itself to individual performance review and coaching, which is a universal success factor in sales.

- Coach performance: salesperson growth on key success factors
- T-sales salesperson feedback and coaching: order count, sales hours per prospect, sales hours per deal
- C-sales salesperson feedback and coaching: qualified opportunities won, customer value created
- General coaching: fulfillment of activity plan

Analysis and evaluation are highly specialized tasks in need of close leadership and management. This function runs a very real risk of becoming a black hole – eating every resource available and giving nothing worthwhile back – if not managed adequately. In Prosales' experience, Sales tend to be anti-analytical (maybe as a result of poor relations with Markets) As such, the applicability of the evaluation function is very much dependent on the leadership and management. However, the complications of evaluation and analysis must not deter sales organizations from initializing this function. As noted above, it is more important to get the process rolling than doing it right. This function can start simply by asking a few customers a few questions and workshopping with the results, in terms of “do we create customer value?” and “what types of companies pay for what values?”. Getting at least some answers to these questions will be immediately useful for sales development for increasing market relevance.

Workshop example

List and rank the decision criteria that the salespersons believe influence customers’ decision processes. Then list and rank decision criteria from the customers’ perspective in specific won deals and compare to salesperson ranking. Then list and rank decision criteria from the customers’ perspective in specific lost deals and compare to salesperson ranking. The difference in the prioritization of criteria should not only be telling, but also form the very basis of indicators for potential and complexity in customer purchases.

9. Management of current and future accounts

Once the four functions above – sales logic segmentation, qualification for complex sales, business evaluation and differentiation of traditional and complex sales – have been initialized, everything else becomes operational fine-tuning. One instance of such fine-tuning is the management of current and future accounts. As soon as the business relation between a customer and a supplier becomes important, in terms of the potential for either recurring business or for a series of separate business opportunities, that customer should be moved to the domain of account management.

Account management (and customer relations management) is about retention of customers and thus about the cumulation of revenue over time from customer accounts. This means that it should be managed in accordance with complex sales logic – account management should aim at maximizing the customer and supplier values of a relation over its projected duration. The point of account management is the creation of specific business opportunities in fulfillment of the account plan.

Acquisition of strategically important companies as customers is about planning for making it not only feasible but valuable for these companies to do business with the supplier. Thus, the supplier has to leverage its competencies and capacities to discover and define a customer-specific value that can make it happen, which is a complex sale.

When it comes to framework agreements, the supplier needs to manage both the acquisition and the account. RFx (request for... information, proposal, tender, qualification, etc), on the other hand, hardly qualifies as *selling* at all, though the proactive market communication for influencing upcoming RFx:s does.

Account management is complex sales

Thus, account management is part of complex sales – the same logic applies. The main difference is that there is a long-term plan for developing values to both the customer and the supplier for the projected duration of the business relation. In a sense, it is the need for such a plan that defines whether a company should be managed as an account or not. If the past or the planned dealings with a given customer have little impact on present interactions, then there is little point in managing that customer as an account; it is simply a matter of taking opportunities as they come.

A minor distinction to complex sales logic is that an account needs to be assigned an account manager (a strategic-minded manager) and an account developer (a salesperson) for as long as the company remains an account. The manager takes strategic and economical responsibility for the account. This includes the responsibility for downgrading the account to the normal lead-opportunity-cycle when the relation no longer requires long-term planning. The developer takes responsibility for implementing the account plan, creating opportunities and customer value as necessary. This is analogous to the division of labour in complex sales – management decides which companies to do what business with, and the salesperson focuses on customer value.

10. Management of hand-overs between T and C

As described in chapter 3, it would be a waste of resources to start organizing hand-overs before the strategic functions are up and running. Additionally, it should be noted that there is little point to instigating a hand-over process before the sales organization has crunched the data on its deals and can calculate the opportunity costs of hand-overs from T to C and from C to T.

There is a cost associated with hand-overs, and if that cost eats most of the gains of handing over opportunities in the first place, then there is little point to a hand-over process.

The point of escalation

Handing over qualified leads from T to C (escalation) is far more important than handing over opportunities from C to T. Dealing with opportunities for traditional sales within C-sales forgoes little revenue; the salesperson endeavours to maximize whatever opportunity is there – if the deal is small, the opportunity cost is only the difference in per-hour revenue to the salesperson average per-hour revenue. Besides, if the opportunity is handed over to T-sales, the hand-over will take some time from at least the two salespersons involved, which means that it most likely matters little or not at all whether the C-sales pursues the T-opp or hands it over to T-sales. A possible risk in dealing with T-opps in C-sales is that the salesperson acquires tunnel vision for challenging customer transformations and does not perceive or acknowledge opportunities for traditional sales. If the supplier fails to acknowledge customers that seek standardization, bad-will is created, and these customers will take their business elsewhere.

Dealing with opportunities for complex sales within T-sales runs a very real risk of foregoing substantial revenue because of a suboptimal or lost deal. Hence, it makes economic sense to hand over any qualified C-leads to C-sales. However, the C-leads that crop up in T-sales shouldn't be that many; most of them should have been identified at sales logic segmentation. Unless the costs of capturing C-leads in T-sales and escalating them is substantially lower than the profits of pursuing them in C-sales, management of escalation is pointless. Escalation is worth it only if T-sales can be estimated to capture enough qualified C-leads to motivate the cost of escalation management. The main concern of escalation is ensuring that the process does not disrupt productivity in T-sales.

10.1 Division of labour for the escalation process

Assuming that escalation is worthwhile, qualifying C-leads from among the T-opps needs be a manager or specialist responsibility. To begin with, C-sales won't benefit from getting unqualified C-leads; this places demands on the competence of the one from T-sales doing the qualification. Now, productivity in T-sales demands T-reps to be efficient in and focused on dispatching prospects. Qualifying C-leads in the middle of pushing products will severely disrupt the main T-sales mission, not to mention the difficulties in getting salesperson with the competences needed. Besides, the two-faced nature of the mission would in any case be ungovernable.

In conclusion, since it is the quality of the C-leads that is important and not the quantity, a manager or specialist should be tasked with debriefing T-reps to capture qualified C-leads (a good set of indicator questions will help). The salesperson need only be incentivized to contribute rather than actually performing the function. The point of the escalation process is not to hoover every single possibility for a complex sale from T-sales – instead, the process should focus mostly on the low-hanging fruits. Requiring too much of the salespersons' time will lower T-sales productivity and offset the very profits the process is intended to confer. A manager might, for instance, want to automate the escalation process and delegate to the salespersons to fill out an escalation questionnaire for each and every T-prospect. This would seriously inconvenience the salesperson and would be counterproductive – the point of T-sales management is to simplify T-sales and reduce the amount of per-prospect sales hours.

10.2 Tools for effective escalation

The only way to ensure effectiveness and efficiency in the management of escalation is to establish a set of questions that can reliably qualify a C-lead. This further bolsters the importance of the evaluation and analysis of deals won and lost, since that's the only source of knowledge in these matters.

11. Complications and concerns

Some of the questions and concerns of the Prosales Membership have already been answered. A few have been answered in detail, and the rest more briefly.

Rewards and incentives for traditional and complex sales have seen some discussion as control mechanisms. The control system will be described further in the next chapter. The main principle is simple, however: *monitor, evaluate and incentivize people on what they should be doing, rather than on what is easy to measure*. Measuring the right KPI badly is vastly more preferable than measuring the wrong KPI with great precision.

Recruitment, talent management and career paths does not fall under the umbrella of organizing sales. Those concerns are properly the province of human resource management and development, a support function in Sales (and to the other departments). However, with an increasing specialization within Sales (as well as the other departments) and an ongoing division of labour, there will be no ‘career paths’ as such. There is no guarantee that a salesperson that does a good job in either traditional or complex sales will do a good job as a business strategist, a sales coach or a sales administrator. Rather, the focus needs to move from careers to talent management – there is competition for talent already, and companies need to get better at creating and deploying their own talents and resources, given the aptitudes of the personnel. The more specialized jobs get, the fewer specialists there will be in the world for any given specialization.

Organizational culture and the cultural aspects of Sales have not been addressed. But the most important element of any organizational culture is customer- or market-oriented sales development. A company that pays more attention to its own operations, supply chains and finances than to its customers and market will be out-competed by companies that do adapt to market changes. One of the primary methods of creating such a culture is evaluating deals won and lost and then acting on the result. Market relevance can even be measured – the smaller the percentage of semi-complex business, the higher the supplier’s market relevance.

Some of the questions of the Prosales Membership do concern the organization of sales and they will be discussed below.

11.1 Cross-selling and the divisionalization of the business portfolio

Many companies have a wide repertoire of goods, services, solutions and competences in their business portfolio. Cross-selling revolves around increasing the share of the supplier’s business portfolio that the customers are purchasing from the supplier. Cross-selling usually turns up as a problem for the sales organization in situations where a customer representative is interested in having a single point of contact with the supplier rather than one contact for each category of product or service. In the very same way that semi-complex business should not be solved with hand-overs between traditional and complex sales but with sales leadership, the points-of-contact situation should not be solved by the sales organization, but by the go-to-market organization. It is the go-to-market organization that is responsible for deciding what to offer which markets; solving the problem of what to offer which markets is in fact why the go-to-market organization exists in the first place.

Having a wide portfolio is not necessarily a good thing, market-wise. Any supplier with a business portfolio that bulges with different offerings will have difficulties in telling both its customers and its salespersons what is actually offered to the market. So, the supplier divides the portfolio into different units, where each sells its share of the portfolio. But for the divisionalization of the business portfolio to be market-relevant, the customer value offered by different units should either address different markets (different types of customer companies) or different buyers (different parts, functions or units within the customer companies). When the divisionalization fails on this point, the buyer suffers multiple points of contact with one supplier. The points-of-contact problem should not be solved by the sales organization but by the go-to-market organization.

The different units specified by the go-to-market organization are in fact independent sales units, responsible for addressing specific markets with specific offerings that, hopefully, are relevant to those markets. We will return to this portfolio division into units in the next chapter, chapter 12.

11.2 Addressing limited or local markets benefit from account management

When a company can establish or has already established relations to each and every customer on a market, account management holds the key to success. Generally, this applies to companies or industries that rely on indirect sales – sales to or through resellers (wholesalers, dealers, retailers, etc).

Likewise, when it comes to salespersons and their territories. If the salesperson can address all potential customers in her district, territory or region, account management is the way to go. Local B2B markets tend to be static and non-volatile, because business tends to be local and business relations tend to become cemented over time; established business relations tend to bleed over into social relations.

When relations with all companies on the market is possible or are already established, the sales leadership need to qualify the accounts according to their business potential and strategic impact and make plans to strategize salesperson activities for the most important customers.

11.3 Regional sales

Many sales organizations have regional sales, where a salesperson is assigned exclusively to a specific region (territory, district). Continuing the line of reasoning from 11.2, there are companies on the regional market where a customization approach or account management would be useful. At the same time, the salesperson cannot effectively do both traditional and complex sales. One way of doing both complex and traditional sales is to assign the regional salesperson to address companies segmented for complex sales, and then address the remaining companies through inside traditional sales.

Otherwise, the main problem is estimating whether total business potential from complex sales on addressable companies would be smaller or larger than the total business potential from traditional sales in the region. Once the estimates are done, it is simply a matter of choosing the market with the larger sum and assigning a suitable salesperson. However, this estimate becomes decidedly non-trivial if the number of companies segmented for complex sales is larger than the number of leads and accounts the salesperson can comfortably develop at the same time. Forcing the salesperson to keep more leads and accounts in the prospecting cycle than she can develop inevitably results in semi-complex business, since she cannot spend enough time with each company to maximize opportunities and deals. If the addressable market for complex sales in the region is too large for one salesperson, a selection needs to be made by the sales leadership. The same goes for traditional sales as well; if the market is too large for one salesperson to address, a selection needs to be made.

A fourth alternative is to assign a preprospector to the region to address as many companies as possible. All opportunities for traditional sales are passed to inside traditional sales, while a field resource is called out from HQ for opportunities for complex sales. Again, the sales leadership needs to be able to calculate the opportunity costs of doing so, in order to compare the regional sales alternatives.

11.4 Small sales organizations benefit from following complex sales logic

When a sales organization closes relatively few deals, each of them will be important to company survival. The company would thus benefit from maximizing each of those deals. Besides, the sales organization may not be big enough to keep specialists. Now, salespersons suitable for complex sales can still do traditional sales, albeit not nearly as effectively as a salesperson suitable for traditional sales. This means that small sales organizations with a wide purchase complexity distribution benefit from following complex sales logic; the strategy is to secure enough large deals to keep the supplier in business long enough to become securely established on its market, at which point the go-to-market organization can address the issues of dealing effectively with standardization and traditional sales.

11.5 Indirect sales

Indirect sales are all sales that go through various kinds of resellers such as dealers, retailers, wholesalers and distributors, to end users, be they individuals or companies. As such, it must be noted that indirect sales is B2B. For instance, selling consumer products through retail is still B2B, not B2C, because the supplier is interacting with the retailer, and especially when the relation is managed as complex sales. There are suppliers that have business that blurs the boundaries between B2B and B2C: examples include selling insurances or mobile phones to private persons through the company that employs them; the employer is interested in maintaining goodwill with the employees and acts as "retailer" which makes the agreement pseudo-B2B sales.

The first point about organizing indirect sales is that resellers tend to be significantly fewer than the companies they sell to. In other words, the addressable market for indirect sales tends to be small – there usually aren't enough resellers to make up a mass-market, especially not if the resellers are local dealers or retailers. The text for 11.2 argues that all limited markets should be treated as complex sales, and as account management in particular.

The second point is that business with resellers tend towards complex sales. Business with resellers tends towards agreements for recurring business which implies a certain need for account planning over a longer relation to increase profitability. Business development with resellers demands complex sales, because order volumes cannot be increased without helping the reseller increase his business (improved space management for retailers, for instance). Framework agreements are complex sales by definition, given the amount of criteria that influence the customer's decision process to enter an agreement or not. On the other side of the purchase complexity spectrum, inventory and re-stocking processes and logistics can be automated, which obviates the need for a salesperson to visit the reseller for that purpose. This is not to say that traditional sales cannot be suitable for business with resellers, only that the circumstances where that obtains are relatively rare.

12. Organization in practice

So far, this text has talked mostly about B2B sales functions. The title, however, is "B2B sales organization in practice" which refers to the division of labour into roles, which is to say, dividing labour into specific combinations of tasks, goals and responsibilities.

Now, it would be counterproductive to define roles without consideration of the actual individuals making up the personnel and their competences, talents, values and personalities and how they might be deployed. It is in the company's interest to identify and utilize the individual combinations of traits that the organizational members sport – talent management (and deployment) is a very important staff function. It can be noted that "roles" does not map 1:1 with "jobs". One person can have as her job to fulfil more than one role: many sales managers have to be sales strategists, sales coaches *and* sales administrators. Conversely, it can take several people to do the work of one role: the sales organization may need lots of people to act full-time as T-salespersons (at the same time, some people may act part-time as T-salespersons and part-time as customer service).

This said, an individual's personality, values, skills and talents are not combined randomly – they are usually correlated. *Sales Efficiency Study III* shows that, for instance, customer value orientation (mostly an expression of consultative interest) tends to correlate with, team player values, coordination skills and a non-materialistic work motivation (specifically, they tend to be not reward-oriented and tend not to be motivated by commissions). Thus, it is possible to construct generic profiles for most sales roles.

The strategist, the coach and the administrator

John P Kotter, for instance, observes in "Leading change" the differences between leadership and management: leadership is about changing the company and mobilizing its members to realize a vision for the future, while management is about planning, control and day-to-day maintenance of the current system. They are very different jobs and select for different kinds of persons; leaders benefit from being visionary, creative or inspirational, while managers benefit from being meticulous, diligent or efficient. When it comes to sales, leadership and management have different tasks: sales leadership is about sales effectiveness (market relevance; doing the right business with the right companies – which requires strategy, evaluation and development) whereas sales management is about sales efficiency (optimization; doing business the right way – requires management of opportunities, people and resources). This means that B2B sales organization in practice must start with the distinction between sales leadership and sales management. Looking closer at sales management, *Sales Efficiency Study II* from 2010 showed that sales coaching and sales administration are important but very different jobs that select for very different kinds of persons – if you don't love to develop individuals and help them grow, you will have difficulties making it as a coach; conversely, if you don't love to create, follow and enforce rules and structures with an attention to detail, you will have trouble administering sales. Suitability for sales strategy, sales coaching and sales administration tend to be negatively correlated. Charging one person to be the strategist, the coach *and* the administrator is almost always a suboptimization; these three roles do not have the same goals and should not be steered the same way.

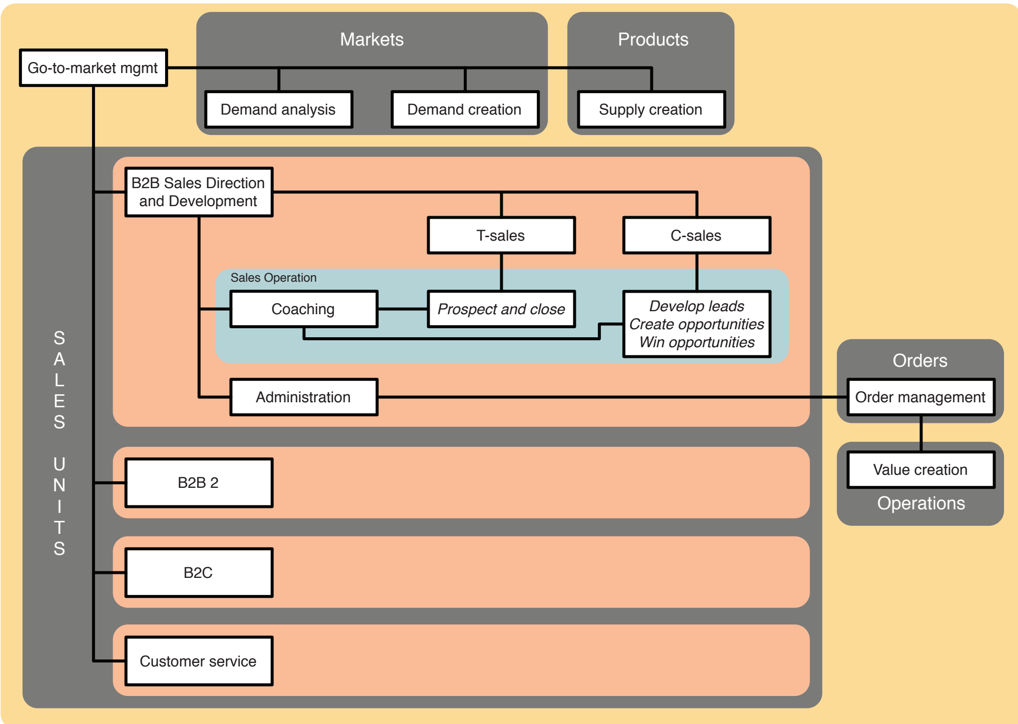
leadership is about changing the company and mobilizing its members to realize a vision for the future, while management is about planning, control and day-to-day maintenance of the current system.

Leadership and management roles in the B2B sales

	Strategist/Leader	Coach	Administrator
Sales Direction	●		
Sales Operation		●	●
Sales development	●		

12.1 Functional roles for the go-to-market organization

Considering the previous models of the go-to-market organizations for traditional and complex sales, Prosales proposes the following chart for the functional roles of the go-to-market organization, with the focus on the roles of the sales units.



12-1. Function roles for the go-to-market organization. The chart does not specify how different roles interact; it only specifies the central roles. Prosales has not delved deeply into detail for Markets, Products, Orders and Operations – their roles are abstracted. The main focus is Sales. Orange boxes denote sales units – these are dictated by the division of the company's business portfolio. "Demand analysis" is about gathering market data and crunching the numbers for a better understanding of which companies are willing to pay for what values, both today and tomorrow. "Demand creation" is all about communicating and interacting with the companies in the supplier's different markets to create demand – marketing, branding, campaigns, leads generation. "Supply creation" is about developing products (goods, services), solutions and competences that can match current and future demand that is in line with the supplier's strategy. "Order management" is about documenting and expediting the agreed-upon customer values and turning them into deliverables for "Value creation" to realize.

There are two main points to the role chart. The first is the proposal that Sales, Markets and Products coordinate for increased market relevance and profitability. This is why it's called a "go-to-market organization" – it contains all the functions needed for the supplier to go to the market with something. The organization should encourage these functions to work together rather than fence them off from each other. "Demand analysis", "Demand creation" and "Supply creation" feed all the sales units, which in turn evaluate and feed results back for adjustments. The second is the proposal that strategy, coaching and administration within a B2B sales unit is distinguished as different roles. When it comes to sales units, the chart arbitrarily includes two B2B units, one B2C unit and the customer service merely to illustrate that a company can have multiple sales units. But at a minimum, the sales organization for companies that have or strive for both traditional and complex B2B sales will need one unit for the proactive sales and one unit for the passive and reactive sales (e.g. customer service).

B2B sales unit organization

A B2B sales unit organization contains five basic roles for its line functions: the *strategist* takes care of the sales leadership (Sales Direction and Sales Development), the *coach* does the coaching of the T-salesforce and the C-salesforce, the *administrator* manages sales data, the *T-salesperson* prospects and seizes opportunities and the *C-salesperson* develops leads, creates opportunities and closes them.

The strategist, the coach and the administrator have to work together. The strategist and the coach have to coordinate to develop and adjust the human resource management. The strategist and the administrator have to coordinate to define sales data categories that actually implement strategy rather than counteract it. The strategist, the coach and the administrator have to work together to develop routines and structures for sales data entry and management to ensure smooth hand-over of business to order management and relevant reporting on sales funnel and sales projections.

12.2 Traditional sales

Traditional sales is all about prospecting companies with a standardized offering to capture business opportunities and closing those deals.

	Traditional sales
Goal	Address entire market.
Operations	Prospecting for and closing opportunities.
Key success factor	Minimize the sales cost per prospect.
Coaching	Match prospects to salespersons; monitor salesperson activity plans; support salespersons in gaining access; monitor, evaluate and incentivize salespersons on number of prospects and per-prospect time expenditure; feedback individual performance.
Coach the coach	Monitor, evaluate and incentivize the coaching on reduction of per-prospect time expenditure (for growth in orders taken) and individual development.
Structures needed	Per-prospect time expenditure estimates (rough and lean estimates better than detailed but invasive estimate procedures).
Leadership	Evaluate deals won and lost on possible and actual customer values for increased market relevance (match between markets and products); feed results back to market analysis (which companies pay for what values?) and supply creation.
Salesperson profile	Hungry, driven, productive with stamina.
Coach profile	People-oriented, knowledgeable about the product.

12.3 Complex sales

Complex sales is all about carefully selecting business opportunities where the customer is willing to pay for an agreed-upon value that is feasible and profitably implementable.

	Complex sales
Goal	Maximize every opportunity (discover, define and gain acceptance for a relevant and urgent value that the customer is willing to pay for).
Operations	Develop leads, create opportunities and close opportunities.
Key success factor	Maximize customer value. Only commit to opportunities where that value is feasible and profitably implementable.
Coaching	Matching prospects to salespersons is a generic coaching task. In complex sales that task grows in scope to human resource management. Not only are the accounts, leads and opportunities in need of a suitable salesperson, the salesperson is also in need of specialists, experts, advice or other resources (or simply a colleague to share the load) to do her job. That, in turn, means that the coach's job of monitoring activity plans becomes a job that involves requisition and allocation of the proper company resources. As such, coaching impacts on profitability, because any resource allocated to one project is denied to all other projects. In addition to general sales coaching, the coach needs to support the salesperson develop leads into opportunities (identifying phases in the customer decision process, such as recognition of needs, evaluation of options and management of concerns) and then win those opportunities. Salespersons in complex sales should be monitored, evaluated and incentivized on customer value and the share of qualified opportunities won.
Coach the coach	Monitor, evaluate and incentivize the coach on: share of qualified opportunities won (for better resource management); individual development on salespersons coached; profitability of deals won (ability to qualify the right opportunities).
Structures needed	Measurements of customer value (customer value surveys). Evaluation of deals won and lost.
Leadership	Evaluate deals won and lost on possible and actual customer values for increased market relevance; feed results back to market analysis (which companies pay for what values) and supply creation.
Salesperson profile	Customer value orientation.
Coach profile	People-orientation, customer-value orientation, talents and abilities for complex sales, knowledge of purchase decision processes.

12.4 Sales leadership

In chapter 4 we discussed the four parts of the B2B sales mission:

1. Do the right business with the right companies
2. Send the right salesperson on the right opportunity with the right tool and resources and the right steering and support
3. Pass deals won to order management for value creation
4. Evaluate deals won and lost for sales, business and organizational development

"Sales leadership" takes care of parts 1, 4 and bits of 2 of the B2B sales mission with the following four related and complementary tasks.

- Sales logic segmentation
- Qualification of complex sales
- Sales evaluation
- Sales development

The code word for sales leadership is 'strategy'. Sales logic segmentation and qualification of complex sales are strategic activities; they represent the "do the right business with the right companies" part of the B2B sales mission. Evaluation and development are part and parcel of any efforts to create or adjust strategy. The supplier's enterprise may necessitate that sales leadership be delegated in terms of leadership for traditional sales and leadership for complex sales. The developmental work for simplifying traditional sales to reduce per-prospect time expenditure may demand differentiation as a role on its own. Tool development and resource management for complex sales may likewise demand role differentiation. Hence, "T-sales leadership" and "C-sales leadership" are possible extensions or delegations of the general sales leadership.

	Sales Leadership
Goal	Choose the right business with the right companies.
Operations	Select companies that the supplier has a business interest in (will not necessarily include all companies showing an interest in the supplier, and may include companies that have not yet shown an interest in the supplier). Segment those companies (both leads and customers) on sales logic (customer's decision criteria and strategic impact). Basically, answer the question "will we need a complex sales effort to do business with this company?" for the companies on the supplier's markets. Qualify accounts, leads and opportunities within complex sales on complexity and potential of customer's purchase and supplier's market strategy and available resources (opportunities are qualified on feasibility, profitability and "closeability" of value creation, as well).
Key success factor	The holy grail of sales leadership is a model for choosing the right business with the right companies that combines a selection of companies that align with the supplier's vision and mission with business that is profitable. Such a model may well be a pipe dream, but trying to develop one is not. The key to successful sales leadership is development of model and indicators for sales logic segmentation and for qualification of complex sales. Development of model depends on evaluation of deals won and lost to refine sales logic segmentation: what business is the right business, and which companies are the right companies for what business?
Structures and control	Data on deals won and lost. Analysis of indicators for complexity and potential of customer's purchase.

12.5 Coaching

Coaching is about helping the salespersons act, choose and behave in ways that benefit the company. This also requires that the coach needs to learn who to deploy in what situations. This heading describes coaching in general – there are some specific coaching concerns for each of the sales logics described with the sales logics.

	Coaching
Goal	Help salespersons do the right thing (i.e. part 2 of the B2B sales mission).
Operations	Match salespersons to prospects (in complex sales, "prospects" refer to interactions with accounts, leads and opportunities). Help salespersons gain access the right functions, roles and individuals in the customer company. Make and monitor salesperson's activity plans .
Key success factor	Personal ability to coach. Requires HR function for finding people with good coach abilities.
Structures and control	Coaching methodology for traditional sales and for complex sales, respectively. Talent audit and management tools. Resource management tools.

12.6 Sales administration

Sales administration is a crucial line function in the supplier's value chain; every deal won needs to pass through order management and then on to value creation. Sales administration is also a crucial staff function. It collects and organizes the supplier's sales data, without which it would be impossible to review performance and business, to evaluate Sales, Markets, Products, Orders and Operations for profitability leakage, and to manage the sales funnel.

	Sales Administration
Goal	Administer sales data, which demands efficient sales data management, the effectiveness of which (are the registered items, out of the set of registerable items, the relevant ones?) is a sales leadership concern. Feed Orders with business, feed the sales and go-to-market organization with data for business planning.
Operations	Report sales results. Manage sales funnel and sales projections. Pass deals won to Orders.
Key success factor	Input and output efficiency – administration can devour a lot of resources without proper planning of what variables to register, since registry of unnecessary variables wastes resources.
Structures and control	Strategy-aligned structures for administration, interface to order management.

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