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C.34 Sales Force Organization

ORGANIZING THE PERSONAL SELLING FUNCTION

Marketers are more often in the position of analyzing and revising a sales organization than in deciding on its original structure. However, the organizational process and the criteria for making organizational decisions can be applied in either situation.

The Process for Organizing the Personal Selling Function. Developing an organization structure for the personal selling function becomes necessary when there is too much sales work to be done by one person and the work has to be divided up. Several purposes are served by an effective organization structure: It (1) divides the selling work so that the benefits of specialization are realized; (2) assures that all activities are assigned and that the capacity to perform the work is available; (3) assigns work so that responsibility is clearly established and authority to do the work defined; (4) provides coordination between the assigned tasks so that the objectives of the organization are achieved.

The process followed in organizing the personal selling function has four steps.

- *Determine Objectives.* Personal selling objectives will normally be defined in the **marketing planning process** as part of the personal selling program. (See GLOSSARY entry C.38 on **selling tasks**.) Objectives should define sales volume goals, the selling tasks to be accomplished, support requirements of other marketing areas, and other problems to be addressed. These objectives should be used to give direction in forming the sales organization structure.
- *Define Activities.* The next step is to define the activities that the sales organization must undertake to reach its objectives. The personal selling program defines many of these planned activities. They would include such

things as prospecting for new accounts, servicing established accounts, introducing new products, extending distribution channels, recruiting and training new salespeople, and supporting sales promotions.

- *Group Activities and Chart Organization.* Next, similar activities are grouped together to form positions in the organization. For example, recruiting and training might be grouped to form a personnel position. The relationships between the positions are then shown on an organization chart. The chart shows levels of authority, relationships between positions, and reporting relationships. An example of a sales department organization chart is shown in Figure C.34-1.
- *Prepare Position Descriptions.* In addition to the organization chart, position descriptions must be prepared for each job shown on the chart. A position description defines the job title, the scope of a job, reporting relationships, and the responsibilities of the job. Position descriptions are used to assist in placing people in positions, helping people understand their job roles, and providing a basis for evaluating performance in the positions.

Sales Organization Dimensions. Structuring a sales organization requires a number of interrelated decisions. Organizations are said to have vertical structure and horizontal structure.

The **vertical dimensions** of a sales organization are primarily concerned with determining the amount of selling capacity that the organization will have. The selling capacity of an organization can be increased by increasing the number of levels in an organization. In the simplest case, if a one-person sales department hires an assistant to the sales manager, capacity has been increased by adding a second level to the organization. The organization pictured in Figure C.34-1 has five levels. A second way that the sales capacity of the organization can be increased is by increasing the span of control.

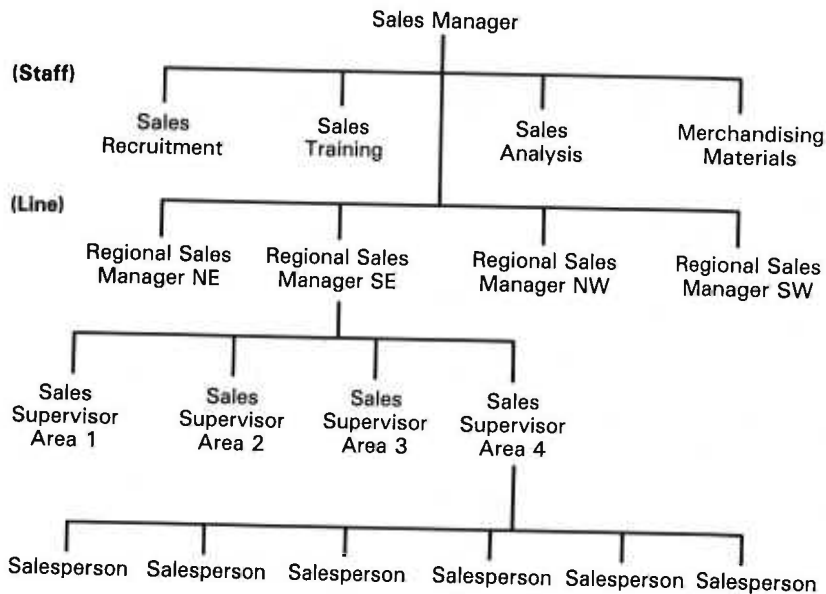


FIGURE C.34-1
A Sales Department Organization Chart

The **span of control** is the number of people reporting to a position. If field sales supervisors each have six salespeople reporting to them, the span of control is six. If the number of salespeople reporting to a field sales supervisor were increased to eight (a span of control of eight), the capacity of the organization would be increased.

The **horizontal dimensions** of a sales organization are primarily concerned with dividing the work so that the benefits of specialization are realized. Specializing the responsibilities of members of the sales organization enables each one to learn the job better, provide better service, and perform the task more efficiently. However, as specialization increases, members of the organization become more isolated and the need for special measures to assure coordination increase. This is the responsibility of managers and supervisors.

There are four ways to divide the selling work in order to gain specialization.

- **Geographic Organization.** Sales work can be divided geographically with each salesperson being assigned a geography territory. Salespeo-

ple then specialize in the geographic area assigned. This is the organization structure of the sales force in Figure C.34-1.

- **Product Organization.** When a company has a number of product lines, especially when they are dissimilar, the salespeople could be organized by product. Each different product line would then have its own sales force that specializes in those particular products. IBM, for example, has separate sales forces for office equipment, large computers, and small computers.

- **Customer Organization.** A sales force can also be organized by customer. This permits each salesperson to specialize in learning particular customer businesses and understanding those customers' needs. Professional services firms, such as consulting, advertising, and law firms, often organize their selling effort in this way. A special case of customer organization is to assign specialized personnel to sell to very large "national" or "house" accounts that, because of their volume, call for special attention.

- **Task Organization.** Often different selling tasks require specialized training and different selling capabilities. When this is true, a sales force can be organized to permit specialization by **selling task** (see GLOSSARY entry C.38). For ex-

ample, some members may be responsible for developing new accounts while others service existing accounts or some may take customer orders while others specialize in providing technical service and advice. Some organizations divide the sales force into inside telephone order salespeople while others make only personal sales calls. All of these are examples of specialization by selling task.

CRITERIA FOR MAKING SALES FORCE ORGANIZATION DECISIONS

Structuring the sales organization requires a series of decisions, five of which are considered below.

What Span of Control? Deciding upon the span of control in a selling organization requires a tradeoff between capacity and control. As the span of control is increased, selling capacity increases, but control decreases. The reason for this is clear. Increasing the span of control of a sales supervisor, for example, allows the organization to get more salespeople into the field, but the supervisors then have less time to spend with each subordinate.

Several additional guidelines can be suggested for deciding on the span of control.

- **Level in the Organization.** Generally, positions higher in the organization have smaller spans of control. This gives senior executives more time for planning and policy matters. Thus the sales manager position would tend to have fewer people reporting to it than would a field sales supervisor position.
- **Task Complexity.** The more complex the **selling task**, the smaller the span of control (see GLOSSARY entry C.38). Newton suggests that field supervisors of salespeople engaged in trade selling, the least complex form of selling, should have a span of control of 12 to 16. Supervisors of technical salespeople, the most complex selling task, should have a span of control of seven. New business and missionary selling tasks, intermediate in complexity, call for a span of control of ten.¹

- **Supervisor Job Characteristics.** The broader the supervisor's responsibilities, the less should be the span of control. Sales supervisors who are expected to sell as well as supervise should have a lesser span of control. As responsibilities such as sales analysis or sales training are added to the supervisory position, its span of control should lessen. When the salespeople supervised are geographically dispersed, the span of control must be less.

- **Economic Considerations.** Decreasing the span of control increases selling costs, but may also increase salesperson productivity. If the change in salesperson productivity can be measured in terms of profit produced, the span of control can be optimized by setting it at the point where the change in supervision cost is equal to the change in salesperson profit production. In general, a smaller span of control is economically justified when the sales force is highly productive.

How Many Levels? Deciding on the number of levels in the sales organization interacts with the span of control decision. If the number of people in the sales organization is held constant, an increase in the span of control lessens the number of levels required in the organization. The reverse is also true. Looked at in another way, if the size of the sales force is increased, the capacity of the organization can be increased either by increasing the span of control or by adding a level to the organization. Thus the two decisions must be considered simultaneously.

Like the span of control decision, the organization levels decision involves a tradeoff between capacity and control. As the number of levels in the organization increases, control becomes more difficult. In organizations with many levels, communications within the organization must pass through more levels before getting from source to receiver. By contrast, in an organization with few levels, termed a **flat organization structure**, communications lines are shorter and sales managers have more direct contact with the sales force.

Organizations with fewer levels have lower supervision costs. Generally, however, this requires greater spans of control. The result could be lower sales force productiv-

¹Derek A. Newton, "Get the Most Out of Your Sales Force," *Harvard Business Review* (September-October 1969), pp. 130-43.

ity. Again, if sales force productivity can be quantified, economic analysis can be used to examine this tradeoff.

Addition of Staff Specialists. As sales organizations grow, the decision is often faced whether or not to add staff personnel. Staff personnel are ones with advisory responsibilities rather than the operational authority exercised by line personnel. In the organization chart shown in Figure C.34-1, the second level of the organization is made up of staff positions. The structure shown would be termed a **line and staff organization**.

The addition of staff to the sales organization both increases capacity and increases specialization. The addition of staff members increases the capacity of the organization by taking over some of the responsibilities of managers, giving them more capacity for selling, supervision, or other line functions. In deciding to increase managerial capacity, the costs and benefits of adding a staff person should be compared to those for adding a line manager.

The addition of staff also increases the specialization of the organization. Usually staff members in a sales organization specialize in narrow fields such as sales training, recruitment, or sales analysis. Specialization offers the advantage of people with better training and knowledge in the assigned task than the line manager would have. The disadvantage is that the staff member may have less credibility than the line manager and may be less in touch with the selling environment faced by the sales force. Staff specialists are economically feasible only when the organization is large enough so that the specialist is needed full time. Smaller organizations have the option of using specialist consultants or their own inside line managers.

Specializing the Sales Force. As soon as the sales force gets beyond a single person, a decision must be made on how the selling work will be divided. In making this decision, the benefits of specialization should be sought. Four widely used organizational approaches, each offering a different form of specialization, were described in the first section.

Keep in mind that in large firms, combinations of these organizational approaches are often used. Here, to assist in selection of the most appropriate design, the advantages and disadvantages of each form will be considered.

- **Geographic Specialization.** Geographic specialization has historically been the most widely used form of the sales force organization. The great advantage of geographic organization is the cost economy that it offers for selling to geographically dispersed markets. By locating salespeople and their supervisors in the market, travel time and expense are greatly reduced and selling and supervision time are increased. Communications lines between salespeople and their supervisors are shortened so that field problems are solved quickly.

The major disadvantage of geographic organization is that it offers minimal specialization. If customers or market conditions vary markedly by geographic area, salespeople can become specialists in local conditions. However in our increasingly homogeneous markets, this is seldom a major factor. Instead, the geographically organized salesperson is expected to service all types of customers and be knowledgeable in the company's entire product line.

- **Product Specialization.** Larger companies with multiple product lines can organize the field sales force by product. Separate sales forces are formed for each related group of products. Product specialization is most appropriate when product lines are distinctively different and when the customers for them are different. The advantage of product organization is that it allows salespeople to develop specialized knowledge about the assigned product and its application. This makes them more effective in serving the needs of their customers.

However, if product lines are not distinctive or sold to different customers, the benefits of specialization are lost. Customers would be confused if they were approached by two salespeople from the same company offering similar products. Salespeople would not be able to tailor the product offered to the needs of the customer, but would be forced to push only the assigned product. Travel and supervision costs for product organization will tend to be higher, especially if there is duplication in customers.

- *Customer Specialization.* Organization by type of customer allows salespeople to specialize in understanding the requirements of purchasers and their businesses. Ames suggests that customer specialization permits "end-user focus," an essential to successful selling.² Customer specialization should follow the dimensions of the **segmentation of markets** (see GLOSSARY entry B.3). If segmentation is based on needs, each customer group served by a salesperson will have similar needs so that the salesperson's knowledge is transferable between customers.

The advantage of customer organization is that it permits sales force members to specialize in understanding a particular type of business or customer type. This leads to better service of customer needs, more knowledgeable problem solving, and more creative design of product applications. The disadvantages of customer organization, like product organization, are higher selling costs and greater difficulty in supervision. It would not be an appropriate approach if there were not distinctively different customer groups or if product lines were not technically similar.

- *Task Specialization.* If a sales force has been assigned distinctly different selling tasks, it may be desirable to organize by **selling task** (see GLOSSARY entry C.38). For example, some firms use specialized salespeople for getting new business and others for taking and delivering orders to existing customers. Other sales organizations use technically trained salespeople for technical counsel with customers, but ongoing selling and customer relations are handled by another group.

Organization by task is most likely to be effective when different tasks require salespeople with different abilities, personal characteristics, and training. Research has demonstrated that salesperson requirements can vary substantially by task and are difficult to find combined in one person.³ This approach is appropriate only when the selling tasks are distinctly different. One unfavorable result may be inefficient duplication of effort and in-

creased total selling costs. There is also a chance that customers will be confused if approached by multiple representatives and development of long-term relations may be hindered.

Dealing with National Accounts. Forming separate sales organizations to deal with national or "house" accounts is a special case of specialization by customer. In order to attract and maintain very large accounts, many firms have a separate selling group. Large accounts may insist on this special treatment and attention to their problems.

There are several organizational approaches to national accounts.⁴ They may be assigned as a part-time responsibility of field supervisors or sales managers. Another approach is to form a full-time national accounts sales force, usually operating out of the company's headquarters. Sales personnel assigned are usually senior and experienced.

Pegram suggests that the choice of organization for handling national accounts depends upon (1) the importance of national accounts to the company, (2) the number and geographic dispersion of the national accounts, (3) the diversity and complexity of the company's product line, and (4) the diversity of service requirements between national accounts.⁵

SUGGESTIONS FOR FURTHER READING

- AMES, CHARLES B. "Build Marketing Strength into Industrial Selling." *Harvard Business Review* (January-February 1972), pp. 48-59.
- NEWTON, DEREK A. "Get the Most Out of Your Sales Force." *Harvard Business Review* (September-October 1969), pp. 130-43.
- PEGRAM, ROGER M. *Selling and Servicing the National Account*. New York: Conference Board, 1972.

²Charles B. Ames, "Build Marketing Strength into Industrial Selling," *Harvard Business Review* (January-February 1972), pp. 57-58.

³See Newton, "Get the Most," pp. 130-43.

⁴Roger M. Pegram, *Selling and Servicing the National Account* (New York: Conference Board, 1972).

⁵*Ibid.*, pp. 14-15.