

# The HR Chally Group's Sales Benchmark Results Adopted By The Academic Community

## Research priorities in sales strategy and performance

Source: *Special Issue: The Journal of Personal Selling & Sales Management*

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Publication date: 2001-04-01

Arrival time: 2001-09-14

A set of research issues and questions concerning strategic aspects of the sales function is developed, using as a framework the following "best practices" from industry identified by the **Chally Group** (1998):

- (1) Establishing a customer-centric culture;
- (2) market segmentation;
- (3) market adaptability;
- (4) information technology;
- (5) sales, service, and technical support systems;
- (6) customer feedback and satisfaction; and
- (7) Selecting and developing sales personnel.

The article highlights the potential for sales academicians who pursue these research topics to contribute substantively to the effectiveness and efficiency of the sales function in modern organizations.

"Sales is a board room topic . . . yet, all too often sales forces are populated by disputed Willy Lomans and managed by short-term oriented and narrow perspective executives."

Shapiro, Slywotsky and Doyle (1994, p. 1)

### Introduction

Not a pretty picture, the one presented by Shapiro, Slywotsky, and Doyle just seven years ago. A little hyperbole to stimulate interest among executives and academics? Perhaps. Yet, as the authors aptly note, the "world of selling must accommodate a dramatically changed world of buying" (p. 1, emphasis added). Market-driven firms understand their markets in terms of how their customers prefer to buy and relate to their suppliers. This is an elegantly simple notion, yet it is rich in terms of implications for the selling function. Is the selling function a strategic or tactical consideration in market-driven firms? Can adopting a more strategic perspective on the selling function, its organization, and management significantly enhance

organizational performance? These and many other questions provide the substance of an agenda for academic and industry debate. In fact, the issue of sales as a boardroom topic motivated the content of two AMA Sales SIG conferences as well as the Call for Papers for this JPSSM Special Issue (Marshall and Michaels 2000).

In this spirit, our purpose is to identify a set of research issues and questions concerning strategic aspects of the sales function. We make no pretense of providing an exhaustive compendium of academic research issues in sales strategy. Rather, we seek to provide a context for academic research that is both rigorous and relevant. In identifying research issues, we reference "best practices" reports from industry (**Chally Group** 1998). These reports are consistent in noting that the role of the sales force is more strategic today. The fundamental change is the adoption of a customer-oriented perspective for the firm as a whole. Such a focus on the customer fuels a dramatic shift in the firm. Customer selection, customer knowledge, customer access, and customer relationships become part and parcel of the strategy of the firm, rather than relegated to the tactical domain of sales management. Organizations that are interested in becoming more customer-oriented are more likely to build a customer-centric organizational culture

and adopt a structure organized around customers, rather than brands or products. They are more likely to segment their markets with an eye toward only one of several channels to reach customers. In fact, these firms may employ a full range of sales and channel options to reach different target markets as well as serve strategic customers. They are more likely to stress selling as a core business process, to adopt CRM technology, and to customize their systems to better select, train, and reward employees who deliver customer value, profitably. In short, market-driven firms treat customer relationships as the core of their business enterprise.

Our research priorities will stress these customer-driven issues. The paper is organized in terms of seven "best practices" of industry to set a broad research agenda. We identify research issues and questions that are related to these industry benchmarks and conclude with a recapitulation of the important potential contribution awaiting sales academicians who take up the gauntlet to address these issues in their research.

### **Best Practices Research in Sales Excellence**

Given the quest for relevance in academic research, we frame our research priorities in terms of recent "best practice" research by **The Chally Group** (1998) concerning "Customer-Selected World Class Sales Excellence." Our goal is to spotlight topics in need of academic research. We then further discuss the research issues developed in reference to these best practices. Our hope is that the research topics presented here, coupled with the contributions of the articles included in this JPSSM Special Issue, will pique the interest of sales and marketing scholars in the strategic, organizational, and customer relationship issues relevant to the selling function today.

Our discussion of the **Chally Group's** best practices for sales strategy and practice is organized into the following seven categories:

- Establishing a Customer-Centric Culture
- Market Segmentation
- Market Adaptability
- Information Technology
- Sales, Service, and Technical Support Systems
- Customer Feedback and Satisfaction
- Selecting and Developing Sales Personnel

We will describe each of the best practices below, along with a critical set of academic research issues relevant to each of these general issues.

#### **Establishing a Customer-Centric Culture**

The overriding goal of the market-driven firm is to create a performance-driven culture focused on

prioritizing customers in order to rationalize marketing, sales, and service offerings. They are more likely to consider the sales force to be satisfying customers. This requires shifting the role of the selling function from selling products and services to selling "increased customer productivity" through customer "top line" revenue or cost advantage. Moreover, customers indicate that "the seller's organization must embrace a customer-driven culture that whole-heartedly supports the sales force." The parallel to recent academic research on market orientation (Jaworski and Kohli 1993), market-oriented organizational culture (Homburg and Pflesser 2000), and marketing as an activity versus a function (Workman, Homburg, Gruner 1998) is striking.

**From a selling function perspective, a customer-centric culture includes, but is not limited to, the following major components (Chally Group 1998):**

1. Adoption of a relationship or partnership business model, with mutually shared rewards and risk management.
2. Defining the selling role in terms of the provision of customer business consultation and solutions.
3. Increased formalization of customer analysis processes and agreements.
4. Taking a proactive leadership role in educating customers about value chain and cost reduction opportunities.
5. Focusing on continuous improvement principles stressing customer satisfaction.

Considering this list, it is apparent that customer focus is expected at the organizational level, not just the salesperson level. A major shift to an organizational strategy and account management process that emphasizes customers and partnerships is indicated. As we will see below, these issues have not been systematically addressed in the marketing or sales literature. In fact, the selling function per se is not explicitly mentioned in the market orientation literature. Hence, strategic sales research concerning how market-driven firms rationalize their customer relationship model to fit desired organizational futures is essential.

What is the nature of a customer-centric organization? What is the role of the selling function in such a firm? What performance gains are found?

And why? These are several relevant research questions implied by the best practices research. Yet academic research concerning these questions is limited. Academic research has emphasized broad organizational perspectives on market orientation, generic market strategy, and organizational culture. For example, market orientation is defined in terms of a culture focused in the generation, dissemination, and use of market intelligence (cf. Kohli and Jaworski 1990; Narver and Slater 1990). Corporate strategy often is conceptualized in terms of Porter's (1980) generic competitive strategies (cost, differentiation, and focus), the Miles and Snow (1978) strategic typology (prospector, analyzer, defender), or a hybrid of the two (Ruekert and Walker 1987). And organizational culture (Deshpande, Farley, and Webster 1993) has emphasized the "Quadrad" model of cultural archetypes (market, adhocracy, hierarchy, and clan). Integration of these perspectives has been limited despite emphasis on the central role of organizational culture in driving firm performance.

Sales-related research relative to customer-centric culture or the issues involved in market orientation, generic market strategy, or organizational culture is very limited. Siguaw et al. (1994) examine the effect of market orientation of the firm and customer orientation of the salesperson on role conflict and ambiguity, job satisfaction, and commitment, however the performance effects of either were not investigated. Although market orientation showed a direct effect on customer orientation (as measured by the SOCO scale [Saxe and Weitz 1982]), the effect size was small. The conceptual link between market orientation by the firm and customer orientation of the salesperson clearly requires further explication. As the authors note, salespeople are free to "deviate from the orientation of their firm" (p. 108). Our practical experience suggests that "being market-oriented" is distinct from "being customer-oriented" in the eyes of the sales force (see Shapiro [1988(a) and (b)] for a relevant discussion of the distinctions between the marketing and sales functions). Hence, we would suggest that one major research issue that needs attention is the conceptual translation of the meaning of customer-centric, or market-driven, into the role of the selling function, the sales force, and the salesperson. A related issue would be the specification of when and how market orientation as a culture translates into a selling function role that is also market-driven, not merely customer-friendly.

Implicit in the previous research on market orientation, strategy, and culture is the notion that marketing and sales are distinct functions. In a

sense, the model is that corporate and brand marketers set the strategy for the firm, while the selling function focuses on implementation. To the extent this is true, the effects of market orientation at the firm level will need to be translated into appropriate business, marketing, and selling strategies, respectively. Two streams of research appear relevant in this context. One is to examine business and sales strategy as a moderator of the market orientation > performance relationship. A second is to examine the quality of the interfunctional linkages among marketing, sales, and other functions that impact the customer. As of now, only a limited amount of research is available in each area.

Concerning the moderating effects of business and sales strategy on the market orientation > performance linkage, two recent studies stand out. Matsuno and Mentzer (2000) found a moderating effect of strategic type, operationalized in terms of the Miles and Snow (1978) typology, on the market orientation > performance linkage. Although they do not directly examine the role of either marketing or sales, the authors do report that prospectors show the greatest gains in market share, sales growth, and percentage of new product sales when increasing their market orientation level (p.10). They suggest this is consistent with Conant, Mokwa, and Varadarajan's (1990) finding that prospectors' marketing competencies (market planning, marketing resource allocations, ability to differentiate, new service development, and marketing control) are superior to those of analyzers and defenders. The implementation role of the selling function is more directly examined in Slater and Olson's (2000) study of the moderating role of a set of distinct selling function activities (selling strategy, internalization of selling activities, extent of supervision, salesperson control system, and compensation) on the business strategy performance linkage (see also Viswanathan and Olson 1992; Walker and Ruekert 1987). Although significant effects are noted, it is important to recognize that no attempt was made to conceptualize or empirically examine the moderating effects of a market-driven or customer-centric sales force orientation, strategy, or culture.

Furthermore, the study examined only sales force management activities, on the assumption that these activities are "subsumed in the administrative problem" aspect of the strategic adaptive cycle (Miles and Snow 1978).

In light of the preceding research, it is apparent that systematic attention to the role of the selling function in a customer-centric organization is

needed. **Several specific research questions seem particularly relevant:**

1. What is the meaningfulness of customer-centricity to the role and culture of the selling function?
2. What is the role of the selling function under the accepted notion of market orientation, as a market intelligence philosophy?
3. Should market orientation be conceptually framed to include selling roles other than marketing intelligence, in particular managing customer transactions and relationships?
4. Or, is the notion of a customer-centric sales function a distinct aspect of market-driven firms?
5. If so, what is the nature of the selling function's role, its culture, and its strategic competencies?
6. How does the organization ensure that the culture and behavior of the selling function is consistent with the requirements of the market orientation and intended marketing strategy?
7. Finally, how does the "fit" between the selling function and the firm's market orientation, strategy, and culture moderate the firm's realized performance?

Conceptual and-empirical research concerning these "larger" issues is essential to establishing the strategic role of the selling function in the traditional "structure-strategy-performance" paradigm. Of course, it also should be realized that this paradigm itself is under challenge.

A key challenge is to establish the value of the marketing function, and explicitly the selling function, in a customer-driven firm. As Moorman and Rust (1999) note, "the distinction between marketing (and selling) as a function or as a process is fundamental." Since the prior discussion examines several research issues concerning selling as a functional department in the firm, we will now emphasize its role as a business process. We will then turn to the issue of whether the selling function itself has a contribution to make in a market-driven firm. Following Moorman and Rust's (1999) lead, we conclude that the selling function has a role in both process and competency terms as a business function.

Srivastava, Shervani, and Fahey (1999) argue that the core of the marketing discipline is attracting and

retaining customers. Hence, to instill market orientation in the firm, marketing must influence or manage business processes that drive customer value. Three such processes are as follows: (1) the provision of customer solutions through product development management (PDM); (2) the acquisition and transformation of resources into desirable customer output through supply chain management (SCM); and (3) the creation and leveraging of customer and end user relationships through customer relationship management (CRM). Moorman and Rust (1999) specify three similar customer links underpinning marketing's role in the firm, namely customer - product, customer - service delivery, and customer - financial. In any case, the role of marketing/sales in the market-driven firm is recast in light of a new competitive frame that presumes fundamental shifts in the firm: from internal to external orientation; from product focus to customer functionality; from product differentiation to solution customization; from transactional to relational exchanges; from firm to network rivalry, and from economies of scale and diminishing returns to economies of scope and increasing returns. Hence, to the degree that this is true, the role of marketing/sales as a process is likely to be more strategic. This is particularly true for the CRM process. CRM involves strategic management of the customer relationship from identifying and selecting customers, to learning and needs assessment, to developing and executing marketing communications and service programs, to building customer trust and loyalty, to leveraging the relationship by cross-selling, to increasing margins through upselling. In a literal sense, the customer relationship becomes a strategic process, as well as a financial asset of the firm.

What is the role of the selling function (if any) in this strategic CRM process? We argue that marketing is likely to emerge as a lead function in managing customer relationships. Moreover, marketing will likely play a role in articulating and translating the firm's market orientation into a customer-centric culture and business/marketing plan. In apparent contradiction to some earlier assessments that "marketing as a stand-alone function will ... become extremely rare" (Wind 1996, p.iv), the management of the strategic CRM process suggests a greater role for marketing as a function and as a department. Moorman and Rust (1999) are more emphatic, arguing that the marketing function (due to the increasing value of such processes as market sensing and customer linking) will contribute to a firm's performance above and beyond the contribution of the firm's own market orientation. They suggest a formal marketing function consisting of at least three marketing specialties (customer-

product, customer-service delivery, and customer-financial accountability) to ensure exceptional levels of marketing competency. In turn, the "application" of marketing competency would be realized through customer-focused, cross-functional teams.

Given the centrality of the CRM process in the market-- driven firm, our sense is that the role of the selling function will be elevated in importance in the market-driven firm, but that it will be qualitatively recast as a "customer linking" role. The selling function will operate as the customer relationship manager, with a "partnering" perspective on the customer. As the **Chally Group** suggests, managing partnerships requires a higher-order competency model for the selling function, including executive level management and leadership skills, cross-functional influence skills, and strategic negotiation skills. Hence, similar to Moorman and Rust (1999), we would speculate that the selling function will add value beyond the adoption of a market orientation. Furthermore, we would speculate that strategic account management will emerge as a core organizational discipline in market-driven firms. Conceptual and empirical research concerning the role of the selling function as a strategic CRM process awaits-- \attention to this issue is central to the research agenda of the sales academy. Of course, many complex issues underpinning the accomplishment of this new role are also necessary. It is to these organizational details we turn next, again using the **Chally Group** benchmarks to signal relevant issues.

## Market Segmentation

Market segmentation has long been recognized to be essential in business markets (Shapiro and Bonoma 1984). Segmentation approaches move from macro (size or potential, SIC code, industry) to micro (buy class, buyer role, benefits sought, price sensitivity, and individual buyer attributes such as risk aversion). If recent comments at an ISBM conference are to be taken at face value (cf. Donath 2000 [a] and [b]), firms continue to wrestle with both the complexity and relevance of segmentation for both marketing and sales strategy.

A fundamental segmentation issue for market-driven firms today is the shift from transactional buying toward relational and partner buying. More and more customers are willing to build relationships with suppliers in the belief that administered solutions will provide more value and lower costs (Arndt 1979; Kalwani and Narayandas 1995). As a consequence, market-driven firms must segment their markets according to how their customers prefer to buy. Some customers remain

transactional. Some customers prefer a solution or a relationship. Some customers are willing to partner with a single supplier. And, finally, some complex customers will blend their buying approaches according to the purchasing situation.

Hence, as the **Chally Group** notes, customer-oriented firms must extend the macro and micro segmentation to more precisely understand how customers are arrayed along a customer relationship continuum (Anderson and Narus 1991). Then, the firm must rationalize its account strategy and investments in business, marketing, and selling models according to its definition of high and low potential segments. The goal is to provide "local ideal solutions that best match individual customers' unique needs" (**Chally Group** 1998, p.27).

Academic research concerning segmentation in business markets is limited. Hence, one simple recommendation is that more academic attention should be given to such segmentation research. More importantly, the best practice research suggests that specific attention to value chain and relationship issues should be stressed. These are the fundamental factors relevant to how market-driven firms define their competitive playing field, desired customer relationship typology, and, hence, the requisite set of value offerings and selling models. This is the fundamental basis of sales strategy that has been largely ignored in the sales literature.

Research attention to the process of segmentation for the selling function itself, as well as descriptive research concerning how firms conduct segmentation in practice, is indicated. Furthermore, research is needed concerning the organizational effectiveness of multi- channel and cross-channel systems within the context of an integrated customer relationship strategy. Despite suggestions that firms should specialize in one or a few customer segments (Rackham and DeVincentis 1999), few firms are willing to do so. Hence, research concerning how to segment for the effective use of hybrid marketing systems is needed (Moriarty and Moran 1990). (Note: An application of the market and customer segmentation process in managed care is provided by Chrzanowski and Leigh 1998.)

The best practice research also suggests a distinction between learning about markets and learning about customers. Segments are by definition composed of customers. However, in transactional selling applications, target market segments are often identified without regard for sales issues. Subsequently, the sales force is clued

in to call on a select set of qualified prospects. However, market-driven firms must develop close relationships with strategic customers. Hence, learning about customers individually becomes a key business process, with significant potential for productivity and profitability leverage (Shapiro, Slywotsky, and Doyle 1994).

This distinction in market and customer learning was pointed out by Day (1994) in terms of the "market sensing" and "customer linking" processes of market-driven firms. Each of these topics is ripe for systematic research attention. For example, how do the more transaction-driven firms sense the market and what (if anything) is the role of the selling function in this activity? How do firms learn about their relational customers on an enterprise-to-enterprise basis? Attention to these issues is central to sales strategy research and practice.

### **Market Adaptability**

The market adaptability benchmark refers to the necessity of providing rapid and targeted responses to ever changing market and customer opportunities. In a sense, this is the organizational aspect that enables the financial gains of customer orientation and target marketing to be realized. **The critical components for building an adaptive "performance culture" are as follows (Chally 1998, p.31):**

1. Decentralizing to allow decision-makers to be more relevant to customers.
2. Organizational commitments to streamlining processes and minimizing decision-making steps.
3. Intense focus on core competencies while outsourcing peripheral processes to supplier partners.
4. Enabling accessibility and free exchange of information through partnering and technology investments.
5. Basing incentive and reward systems on responsiveness to customers as well as profitability.

Market adaptability in a customer-centric firm emphasizes learning and adapting quickly to market and target customers' requirements. Given a customer-centric culture and an understanding of how target customers prefer to buy, the firm faces decisions about the appropriate business, marketing, and selling process, how to organize to be responsive to customers, and how to empower

and reward employees to ensure customer responsiveness and satisfaction (Chrzanowski and Leigh 1998). We will focus on market and customer adaptability here. Subsequent sections will pursue the remaining topics.

Concerning market adaptability, the Miles and Snow adaptive cycle and the "Quadrad" perspective on organization culture provide organizational perspectives relevant to the selling function (Deshpande, Farley, and Webster 1993). The Miles and Snow typology of prospectors, analyzers, and defenders is conceptualized in terms of the adaptive capability of a firm based in its entrepreneurial (product-market domain, selection, success posture, surveillance strategy, and change orientation), engineering (technological goals, breadth, and buffers), and administrative (dominant coalition, planning orientation, organizational structure, and control processes) problems and solutions, respectively. Briefly, prospectors build strategies and organizations that emphasize growth and adaptation to new market and product opportunities, while defenders focus on efficiency in adapting to their current markets and capabilities. Analyzers attempt to straddle change by only cautiously growing and adapting. Research concerning the selling function in this sense is limited although, as noted earlier, Slater and Olson (2000) conceptualized their empirical investigation of the role of the sales force in terms of the administration components of the adaptive typology.

The adaptive cycle offers the potential for important insights into the strategic role of the selling function in market-driven firms for several reasons. One is the emphasis of the Miles and Snow model on the entrepreneurial aspects of organizational strategy. In markets that are in fact turbulent or hostile, a premium is placed on continuous learning about markets and customers, as well as leading the market in new products or services. Under these conditions, it would seem that a market-driven selling capability, one that involves market sensing and customer linking skills, would represent a core competency of the firm (Day 1994). Second rapid response to market and customer opportunities requires decentralization, streamlined organizational processes, and efficient information dissemination.

Third, growing the organization in a partnering environment requires a novel set of consultation skills focused on proactively facilitating the growth of a partner firm's business through strategic "selling." Finally, the firm needs to reward customer-focused teams and account managers for customer responsiveness and profitability, as well as for sales of new products. That is, the individuals closest to

the customer must be rewarded for his/her role in enabling the innovation process. Hence, we would argue that conceptual and empirical attention to the strategic role of the selling function in the prospector role seems particularly relevant.

It is important to recognize that the selling function may be strategically important to the analyzer and defender roles as well. In fact, Miles and Snow (1978) argue that prospectors, analyzers, and defenders will co-exist in most industries and that the real issue for relative performance is the degree of "fit" between the domain selection strategy (the entrepreneurial component) and the domain navigation strategy (the technology/administrative component). Firms that develop a coherent market orientation and strategy increase the likelihood of sustainable financial performance. For example, prospectors who identify many new opportunities and have the technological/ administrative wherewithal to exploit them can achieve exceptional rates of return. Similarly, defenders who successfully focus on current customers and excel in serving them effectively and efficiently can also earn excellent rates of return. Firms with inconsistencies in their domain selection and navigation strategies will likely achieve sub-par returns. Hence, the Miles and Snow typology offers an attractive overarching framework for conceptualizing sales strategy and performance, and deserves further development. (For further discussion, see Conant, Mokwa, and Varadarajan 1990; Ruekert and Walker 1987; and Slater and Olson 2000.)

Building a market-driven, performance-oriented culture requires more than just a stated philosophy of "being customer-centric" and forming an enabling organizational structure. As Homburg and Pflesser (2000) indicate, market orientation cannot be dissociated from the beliefs that underlie the organization's culture. Otherwise, any firm could quickly adopt a market orientation. The issue of developing and sustaining a customer-centric sales culture has not been specifically addressed in the academic literature. However, the notion of the strategic CRM process would be an essential element. The issue is how to conceptualize the sort of culture necessary to support the CRM business process. The "multi-layer" model of the market-oriented organizational culture provides a useful conceptual frame (Homburg and Pflesser 2000). In contrast to the behavioral perspective on market-oriented culture (Deshpande, Farley, and Webster 1993; Slater and Narver 1994), Homburg and Pflesser (2000) conceptualize culture in terms of shared values, behavioral norms, artifacts, language, and behavior (or behavioral routines).

They examined market-oriented businesses in terms of their beliefs concerning success-orientation, innovativeness and flexibility, openness of communication, quality, speed, interfunctional cooperation, individual responsibility, and appreciation of employees. Their results are generally supportive of a hierarchical structure leading from values > behaviors > organization performance. Hence, the multi-layer model offers considerable promise to guide future research in the sales arena.

Our belief is that organizational culture research relevant to the selling function, and especially its role in strategic CRM, is badly needed. One approach would be to extend the research of Deshpande, Fahey, and Webster (1993) and Slater and Narver (1994) to examine the types of sales organization cultures that appropriately "fit" the market-oriented firm under different generic market strategies (e.g., prospector or defender). Specifically, one might relate the "Quadrad" model archetypes (class, adhocracy, market, and bureaucracy) to the environment, generic strategy, and selling function strategy contingencies and assess the organizational performance impact. However, as mentioned earlier the multi-layer model appears to offer the potential for deeper insights concerning the nature of the market-driven culture and its translation into a market-driven and high performance sales culture.

For organizations that retain distinct marketing and sales organizations or competencies, the issue of "fit" remains critical. As Cespedes (1995) notes, marketing and sales relationships are often stressed by formal and informal communication issues. One that is very relevant to organizational culture is the notion of communities of practice (Brown 1999). In brief, the argument is that competence specialties evolve into communities of practice involving shared values and perspectives as a natural consequence of day-to-day exigencies in "doing the job." Hence, the "fit" between marketing and sales (and other organizational functions) may be a significant driver of organizational performance. Again, the multi-layered approach would seem to offer deep insights concerning the nature of marketing and sales as communities of practice. Given a detailed understanding of their distinct cultures, the issues involved in defining such "fit" could be systematically investigated. Importantly, the answer may not be as simple as matching the cultures of marketing and sales. It may be that moderating conditions exist such as environmental turbulence, organizational structure, or reward systems that enable what are distinct communities of practice to work effectively

and efficiently, despite their differences, for the benefit of the firm.

Market-driven firms that adopt the strategic CRM perspective face two unique cultural issues: the need to build partnerships with core customers and the need to employ customer-focused teams to manage these relationships. As Allegiance Healthcare noted in their shift to a partnering and team-based model, it takes a considerable amount of time for partnering relationships to develop (Chrzanowski and Leigh 1998). The processes involved in building these relationships are not adequately understood from the perspective of building a "win-win" shared culture among the partnering organizations. Furthermore, the dynamics of developing a shared culture within the cross-functional teams (CFTs) themselves need to be investigated. The formation of an effective CFT can take several years and research concerning this process is limited.

### Information Technology

The **Chally Group** (1998) benchmark in IT is to build competitive advantage by more effectively and efficiently managing information systems, especially those that emphasize market and customer tracking, customer preference analysis, and enhanced buyer-seller interactions. Clearly, IT plays a critical role in enabling customer focus, close customer relationships, and market adaptability. However, the centrality of IT is intensified when the firm is competing globally and/or using customer-focused teams to "sell" to partnership accounts. Hence, while the **Chally Group** report stresses sales force automation systems focused on customer responsiveness and user friendliness, it is clear that today's sophisticated CRM systems and analytical packages have pushed the envelop very close to a one- to-one, or enterprise-to-enterprise, marketing vision (Peppers and Rogers 1996). Hence, IT has become an organizational strategy in and of itself. For example, CRM is no longer simply a contact manager or sales automation tool. CRM is increasingly a philosophy of business, integrating customer focus, relationships with customers (and suppliers), and team-based consultative selling into a coherent organizational strategy (Brown 1999, 2000; Swift 2001).

The irony is that academic research is only now stressing CRM as a fundamental business process with a significant impact on organizational results (Srivastava, Shervani, and Fahey 1999). Rather, past academic research has been more narrowly focused on sales force automation; in particular the factors driving acceptance and use of IT by the

sales force (Schillewart et al. 2000). Clearly, a "bigger picture" perspective of IT is indicated, especially a focus on CRM and SCM (supply chain management) as business processes.

The fact that academic research concerning IT has emphasized the adoption of sales force automation is perhaps not surprising. In the transactional model of selling, the salesperson is the key resource. Hence, major investments have been made in using IT to enhance the effectiveness and efficiency of sales personnel. Siebel Systems' CRM program was originally designed as a sales productivity tool. A critical issue in realizing intended productivity gains was the acceptance and use of the system by the sales force. A variety of tactics were used in the design process to ensure sales force involvement (as the system's "customers"). This research stream deserves further attention, especially for firms using a generalist- selling model.

The customer-centric model emphasizes customer and market responsiveness, consultative selling and integrated customer solutions, CFT and global account management systems, and cross-functional linkages. Clearly, the application of these strategies in practice can be enhanced through the systematic application of IT processes and systems that enable collaborative work groups and decision-making, rapid information exchange and communications, and customer responsiveness. Yet, descriptive research concerning how firms are to realize the benefits of IT in the environment is limited. The role of the Internet in these contexts is particularly relevant. The rate of return on such investments also needs more specific attention, especially in light of industry claims concerning sales, customer satisfaction, cross selling, and cost reductions.

The CRM revolution is well underway (Swift 2001). However, as Srivastava, Shervani, and Fahey (1999) note, developing strategic CRM as a business process is a prerequisite for the deployment of an effective and efficient CRM system. The strategic issues involved in designing a CRM system are familiar from our earlier discussion and include customer segmentation and profiling, clearly defined objectives and market offers, defining critical success factors (CSF's) and measures, developing customer-driven organization structures, specifying the role of the sales force and the Internet, and establishing the means to model consumer response (Swift 2001). From this perspective, it is apparent that CRM is a fundamental business philosophy and process, not simply an IT application. Hence, descriptive and normative research is needed concerning how firms

have developed CRM strategies and integrated IT models. Particularly important are insights concerning information acquisition and integration in a data warehousing system, including such fundamental issues as what information is to be collected, how is it to be processed to yield useable knowledge, how this knowledge is managed, and who can access it. Under this model, the role of the selling function is potentially radically changed in that the sales force may be asked to play a much larger information collection role. In addition, a much greater amount of information will be transparent to the sales force. This includes aspects of the firm's strategy that in the past often have been withheld from salespeople or only provided on a need-to-know basis. Clearly, the role of the selling function in the CRM system as informant and decision-maker is essential.

While rapt attention has been paid to CRM and the Internet in consumer markets, the role of channels and customer partnerships has quietly grown. These are the "customer" issues mentioned in CRM texts, yet seldom explained in detail. A recent buzzword in industry circles is PRM, or partner relationship management. PRM involves the systematic development and application of Internet-based relationship management solutions for indirect sales channels (Thompson 2001). Many IT applications apply to PRM, including partner profiling and knowledge management, personalization and targeted communications, sales process automation, order management, and e-Commerce. Industry best practice and case studies in the PRM arena are only now emerging. Hence, considerable opportunity exists for academic research on PRM strategy as a business process, a customer solution, an IT application, and a customer knowledge system.

### **Sales, Service, and Technical Support Systems**

The benchmark here is the systematic application of the philosophy, strategy, and tools of the total quality movement to the objective of enhancing the "quality" of the customer experience. From a sales strategy point of view, a key aspect is the decomposition of the overall selling process into subprocesses that can benefit from specialization and division of labor. As such, the generalist-selling model in which the salesperson manages all aspects of the selling process appears to be waning, at least in market-driven firms. Instead, firms study customer relationships as a process, seeking to reengineer this process to (1) compartmentalize transactional management (especially routinized purchases), technical support, and customer service functions into independent

centers of excellence, and (2) redefine the sales force's role in developing strategic account relationships to include serving as a business consultant, managing ongoing relationships, resolving major problems, and leading in customer advocacy (to the selling firm itself). The longer-term goal is to build an infrastructure that operates on "the intelligence of the system more than the 'talent' of the user" (Chally Group 1998, p.39). The generalist-selling model is limited by its overemphasis on the role and competency of the individual salesperson and its overall tactical orientation.

### **According to the Chally Group, building an intelligent and specialized sales, service, and technical infrastructure involves the following critical components:**

1. Building specialized sales function approaches and suggestions to fit each of the targeted customer segments.
2. Specializing infrastructure to differentiate selling from servicing and technical support (i.e., back office functions).
3. Separating marketing (front end) from logistics (back end) functions.
4. Applying TQM approaches to streamline flows involved in the sales cycle, from sales to delivery to resale.
5. Reducing the face-to-face time and cost of the selling process by shifting routine customer transactions and service to telephone or automated (or customer care) systems.
6. Facilitating linkages between the sales force and other functional areas (production, logistics, etc.) using sophisticated systems (e.g., Intranets).
7. Developing customer infrastructure and systems links to allow both proactive and passive customer access to selling via systems and resources.

For example, Allegiance Healthcare provides a CFT (cross-functional team) and systems for its partner hospitals (Chrzanowski and Leigh 1998). These functional specialists or systems include the following: financial experts to conduct external and internal analyses; information systems specialists to help with IT applications; marketing liaisons to conduct trend analyses; logistical support to conduct

sourcing and inventory process assessments; and field service representatives to monitor delivery, accounts receivable, and servicing issues.

An essential complement to a customer-centric orientation and culture is an adaptive and responsive marketing and sales organization structure. Business consultants suggest that product (brand) management, marketing specialists, and territorial sales structures fit a world that no longer exists. For example, McKinsey consultants stress that these structures do not "fit" today's sophisticated and demanding customers, micro-segmented markets, and multi-channel distribution systems (George, Freeling, and Court 1994). Their suggestion is that successful firms need to organize around "integrators" and functional specialists linked through teams and processes rather than formal functional structures. These integrators (of the consumer, customer, and product variety) enable a focus on the entire customer value chain, clear customer segmentation, application of cross-functional solutions, and rapid response to customers. Similarly, in the packaged goods market, generalist sales forces are being replaced by category and key account approaches. Finally, a variety of firms in business-to-business markets are reengineering their sales forces to stress cross-functional, customer-focused teams (Donath 1995). Academic attention to these marketing and sales function organizational issues has been surprisingly limited (Homburg, Workman, and Jensen 2000).

Perhaps this is due to the recency of academic research on market orientation and the market-driven firm. Achrol (1991) stresses the need for rapid response and flexibility and proposes two new organizational forms: the market exchange and marketing coalition models. Webster (1994) notes the need to organize to meet the new emphasis on strategic partnerships. Day (1997) and Moorman and Rust (1999) suggest the use of hybrid structures, in the latter case suggesting a matrix organization consisting of vertical functional sub-specialties (customer-product, customer-service, and customer-financial) assigned to cross-functional teams. In each case, an increased importance of research concerning how to organize to manage customer relationships is indicated.

Account management in some form has been emphasized in sales for many years (Shapiro, Slywotsky, and Doyle 1994). However, it is clear from the preceding discussion that developing a market-driven organizational structure involves more than simply adding a national or strategic account team to an ongoing structure. We agree with Moorman and Rust (1999) and Srivastava,

Shervani, and Fahey (1999) that both descriptive and normative research concerning customer-centric organizational structures is needed. Concerning the former, the recent research of Homburg, Workman, and Jensen (2000) is instructive. They use a qualitative approach to identify a variety of themes related to changes in marketing organizations. Many of these trends involve what traditionally have been selling functions or tasks including key account management, cross-functional teams, customer-responsive structures, and others. Further descriptive research of this type is warranted.

The increased attention to micro-segmentation according to how customers prefer to buy, as well as the likelihood that leader firms will simultaneously employ multiple channel systems, creates an increased need to examine the strategic and coordination issues involved in managing "hybrid" marketing channels and cross-functional exchanges. A continuing issue is "hybrid channel conflict" (Webb and Didow 1997), where the notion is that customer-focused teams, account management structures, territorial sales management models, distributors, customer call centers, and electronic exchange processes must learn to coexist as firms seek to sell to multiple customer segments rationally and profitably. The challenge is to achieve appropriate levels of customer satisfaction within each channel, while simultaneously minimizing the natural conflicts across channels as customers and employees seek to conduct their business in a fashion that best fits them. Research addressing the antecedents and consequences of hybrid conflict (domain similarity, goal overlaps, market basket overlap) is needed (Webb and Didow 1997). For the selling function, this would involve complex issues in customer targeting, selling role definition, and financial management, as well as cross-functional power and influence. Increased specialization of marketing and sales roles would exacerbate the potential for cross-functional conflict. Hence, more specific attention to issues in the marketing/sales/service interface is needed (Cespedes 1995). Similarly, more systematic attention is warranted to the mechanisms involved in achieving the promises of integrator roles such as the CPT account manager, the account manager, the category manager, or the roles suggested by Moorman and Rust (1999). Griffin and Hauser (1996) and Maltz and Kohl (1996) provide direction for such research.

Adopting an account management (AM) system, whether referred to as global (GAM), strategic (SAM), or national (NAM), is a major area in need of academic research. First, the adoption of an AM

system requires a variety of strategic decisions concerning which accounts are targeted, which products and services are offered, what roles, tasks, and processes define the account relationship model, and how the account manager gathers the resources to support customer satisfaction (Shapiro, Slywotsky, and Doyle 1994). These issues are largely unresolved in account management research (Sengupta, Krapfel, and Pusateri 2000). In fact, Napolitano (1997) indicates that less than 50 percent of customers served by designated account managers are satisfied with the quality of their supplier-client relationship. Second, the fact that account management coexists in a multiple channel, cross-- functional environment is increasingly a problem. Greater role specialization exists as the "selling process" is decomposed into specialized roles (e.g., AM, customer care, and technical service), centralized structures (customer care centers), and technology-enabled contact mechanisms (CRM software applications). Third, the assumption that hybrid system conflict can be managed is often naive. In fact, customers may prefer to use multiple selling and servicing models depending on the situational contingencies of the purchase. Thus, the development of a "master" solution for a SAM or a NAM requires considerable attention to multi- channel, business process, and purchasing requirement issues. Fourth, strategic accounts are increasingly global (Montgomery, Yip, and Villalonga 1999). The antecedents, processes, and performance effects of the use of a GAM approach are not well understood. Fifth, account management increasingly requires a "partnering" business model. The learning and knowledge processes involved in establishing, managing, and extending partner relationships have not been extensively examined, although a parallel literature in new product development offers considerable insight on these issues (Madhavan and Grover 1998). Finally, the performance metrics for account management are unclear. Although Shapiro, Slywotsky, and Doyle (1994) claim enhanced profitability through account retention, account dominance, higher realized pricing, rationalized selling and servicing costs, and more judicious account selection, the profit model is not well understood or specified. This is particularly true in partnering contexts where shared learning, complex value chain solutions, and mutual realization of cost reduction programs are critical. In fact, the exchange outcomes of vertical partnering have only recently been empirically examined (John, Weis, and Dutta 1999).

## Customer Feedback and Satisfaction

Claims concerning the lifetime value and profitability impact of long-term relationships with customers are common (Shapiro, Slywotsky, and Doyle 1994). A common claim is that the cost of identifying and closing new customers is "five to seven" times more expensive than retaining and expanding business with existing customers. The goal espoused in relationship marketing and selling, as discussed earlier, is to select customers wisely (Webster 1994), invest time and resources to understand their businesses and their requirements (Shapiro, Slywotsky, and Doyle 1994), and customize solutions to meet customer needs (Chrznowski and Leigh 1998). Consistent with these perspectives, the sixth "best practices" benchmark of the **Chally Group** (1998) is systematic and timely customer feedback and satisfaction. **The goal is to "authoritatively" identify the central performance criteria driving customer relationships and to demonstrate "bottom line benefits" to customers (p.43). The method is to clearly define and continuously measure multiple performance criteria that are actionable in a timely fashion. The critical components in the Chally Report are:**

1. Tiering customers according to their relative importance (for example, according to their role in the firm's customer relationship typology) and designing a customized measurement system for each tier.
2. Early involvement of the customer in the design and specification of the measurement system.
3. Direct involvement of the customer in performance reviews in a manner that is both credible and respects the customer's time.
4. Timely sharing of customer satisfaction and complaint feedback with key decision-makers so that responsiveness is immediate and accurate.
5. Sharing customer feedback cross-functionally so that systems and infrastructure are adapted appropriately.

On the surface, developing a customer satisfaction process does not appear to be complex. However, when considered in the context of the prior best practices, it is clear that this represents a major task for market-driven firms. In the first place, the meaning of customer-oriented in sales strategy terms must be clearly defined. As we have seen, this issue remains unresolved. Second,

segmentation yielding a customer relationship typology implies that multiple business and selling models will exist simultaneously, one for each targeted segment. These distinct business and selling models presume that unique performance criteria exist to fit each segment and, hence, the firm must develop and manage multiple customer satisfaction systems. Third, the employment of specialized and often centralized (as in a Customer Care Center) sales and service systems requires cross-segment coordination. This creates its own set of role responsibilities and customer satisfaction criteria. Fourth, strategic customers may prefer to use multiple channels (for example, an account manager for consulting purposes, customer care center for complaints, online for repeat purchases). This exacerbates the role definition, coordination, and measurement process. Finally, the customer and the sales team must find the system to be credible and useful.

The use of 360-degree feedback systems is essential for ensuring a coordinated effort in delivering customer value. Generating agreement on a 360-degree feedback system is a major effort all on its own. Thus, major research opportunities involve conceptually defining the nature of an effective and efficient customer-centric measurement system. Customer satisfaction is the key outcome of this process. In this context, key questions include the following: What is the role of customer satisfaction? How is it best conceptualized in terms of customer value, expectations, and experiences when the customer "solution" is multidimensional and the firm's delivery system requires the integration of multi-channel and cross-functional systems? What are the antecedents to the use and nature of the customer satisfaction feedback process? What are the real consequences of customer satisfaction in terms of lifetime value and financial payback, especially in partnership contexts? Clearly, opportunity abounds for additional academic research on customer satisfaction.

One issue that is important to note is that a customer satisfaction feedback system is, in and of itself, a "customer linking" business process. As such, it is an integral part of the firm's customer and market learning and intelligence system. Hence, customer satisfaction systems should be conceptualized in terms of their contribution to the firm's longer term adaptiveness to its external markets and its strategic ambition. For example, in turbulent markets, or when the firm is a "prospecter," the customer satisfaction and feedback process may be lessened in its relative importance to other aspects of the learning and

intelligence system. In more stable markets, or when the firm is a "defender," customer satisfaction may be the critical information link. Hence, the conceptualization of customer feedback, in a larger sense than the **Chally Group** benchmark implies, is needed.

### **Selecting and Developing Sales Personnel**

The **Chally Group** benchmarks on selecting and developing sales personnel **stress the need to continuously upgrade the competency and commitment of the sales organization in delivering market-driven results.** Clearly, our earlier discussion of customer-centric orientation, culture, structure, CRM processes, and technology has strong implications for the sourcing and development of sales personnel. Similarly, the increased use of multiple channel systems, cross-functional teams, and global/strategic account manager approaches also illustrates the need for the firm to shift from a job-based model of human resources to a competency-based perspective (Lawler 1994; Li and Calantone 1998).

Consistent with the emphasis placed on the role of business processes and capabilities, competency-based firms stress the role of information, knowledge, and learning in their businesses and value the organizational units and role-players that generate and apply these knowledge resources (Moorman and Rust 1999; Srivastava, Shervani, and Fahey 1999). In customer-centric organizations, the capability to develop market, customer, and competitor knowledge is a core process that is potentially "everyone's job" (McKenna 1991). However, the value of the marketing and selling function in managing these customer-related knowledge processes remains a high (Moorman and Rust 1999). The bottom line is that the processes involved in selecting and developing human resources are increasingly strategic in nature.

**The Chally Group (1998) benchmarks for recruiting and developing sales personnel reflect this need for a competency-based sales force.** For economy of space, we integrate the benchmarks as follows:

1. Stressing learning about customers, customers' business strategies and processes, and managing a dialogue with customers.
2. Tailoring recruiting and selection criteria to the full range of channels and selling roles necessary to fit customer requirements.

3. Recognizing the distinct, and perhaps not interchangeable, requirements of the selling and servicing roles in a multi-channel, multi-customer relationship strategy.
4. Decentralizing the recruiting process to the local sales manager in order to be as close to the point of customer contact as possible.
5. Recognizing the increased importance of the sales manager's role and competency in recruiting and delivery of training.
6. Willingness to hire experienced sales representatives to ensure customer needs are met in a timely fashion.
7. Stressing team selling issues, rather than "lone ranger" or entrepreneurial skills, and cross--functional relationships in developing senior account managers.
8. Ensuring that training is a continuous process and providing easy access to learning resources for sales personnel.

The common thread running through these issues is the capacity to develop and manage the professional intellect of the selling function (Quinn, Anderson, and Finkelstein 1996). Our discussion below will emphasize three strategic components addressed above: adopting a learning perspective on selecting and developing sales executives; managing the professional intellect of the selling function; and mastering leadership in a competency-based firm. **Each of these is consistent with the Chally Group's notion of building an infrastructure that operates on the intelligence of the system rather than simply on the talent of the sales force.**

What is professional intellect in a sales context? Consistent with the learning and knowledge perspective, Quinn, Anderson, and Finkelstein (1996) conceptualize professional intellect as a hierarchy of knowledge, including:

- Cognitive knowledge (Know-what)
- Procedural knowledge (Advanced know-how)
- Causal knowledge/systems understanding (Know-why)
- Self-motivated creativity (Care-why)

Academic research has emphasized cognitive and procedural knowledge, pitched at the level of the sales encounter and focused on adaptive selling effectiveness (Weitz, Sujana, and Sujana 1986). This is a useful, yet somewhat narrow focus for professional intellect. Know-how in market-driven

firms would be embodied in higher-order business processes, such as strategic CRM, managing partnerships, cross-functional activities, and managing customer-focused teams. Hence, one crucial need is a conceptual model of selling function know-how under the new perspectives (John, Weiss, and Dutta 1999).

Higher-order knowledge such as "know-why" and "care-- why" enables the sort of diagnostic, problem-solving processes necessary for consultative selling and managing customer relationships. System knowledge, in its highest tacit form referred to as intuition, provides experienced executives with the insight and meta-learning capabilities necessary to provide exceptional customer value. Self-motivated creativity, or the motivation to learn and expand one's knowledge capabilities, is considered to be the basis of continuous marketplace adaptability and innovativeness. Although consistent with the hierarchical learning model (Sinkula 1994), these aspects of professional intellect have not been explored in reference to the selling function or the customer-centric sales force.

Capturing and leveraging the professional intellect of leading sales executives is a major research issue in knowledge management. The argument is that professional intellect can be elicited and encoded into the firm's organizational systems, databases, operating technologies, and business processes. Once this knowledge is captured it can be leveraged by embedding it in knowledge systems and software, sharing these knowledge tools with other members of the network, and facilitating its use by enabling sales personnel to be the "star" in providing personalized customer value and service. Academic research should emphasize methods for capturing and encoding professional sales knowledge, as well as the "softer" issues involved in overcoming the natural reluctance of professionals to share their expertise.

Research could also examine the relative effectiveness of two alternative models of managing professional knowledge: codification and personalization strategies, respectively (Hansen, Nohria, and Tierney 1999). In the former, professional intellect is codified and shared through database technology (e.g., Ernst and Young). In the latter, professional expertise is considered to be the domain of the person who developed it (e.g., McKinsey Consulting). The knowledge model employed significantly affects the economics of knowledge at these firms, the nature of the IT solution, recruiting and training approaches, and reward systems.

From a recruiting and training perspective, the professional intellect model emphasizes hiring "only the best" by being extremely selective, forcing intensive early development, developing people through increasingly professional challenges, and employing a meritocracy system of retention. For less experienced employees, on-the-job experience, mentoring by respected senior sales executives and sales managers, legendary work weeks, responsibility rotation to provide a variety of learning experiences, setting high standards of performance, and peer pressure are all used to maximize the depth and pace of learning. Again, academic sales research has not systematically examined the development of a performance-based culture using these strategies and practices.

The increased focus on core customers, relational business and selling models, global and strategic accounts, and cross-functional integration places a premium on the value of senior-level sales executives. Many firms systematically hire senior people from leading competitors as a way to source sales leaders. This is equivalent to the "talent" model for the sales force noted by the **Chally Group**. The real goal is to build an intelligent enterprise by systematically developing the learning capabilities and leaderships skills that fuel market-driven firms. The problem is that relatively little attention has been paid in academic circles to these issues. Most research focuses on the initial "hire" socialization and development process (Dubinsky et al. 1986). Several issues arise with the use of a market-driven model of the selling function (Shapiro, Slywotsky, and Doyle 1994). One is that the multi-channel, multi-customer selling model requires distinct knowledge and skill sets for each sales role (i.e., call center, field salesperson, account manager, CFT manager). Hence, the firm must be able to simultaneously develop and manage recruiting and training programs for a range of sales jobs that cover the simplest to the most complex selling activities. A second is that the firm must clearly specify these roles and train people on the nature of the customer relationship typology itself. A third is that junior salespeople must be hired and developed with an eye toward their ability to develop into senior level and team-oriented sales leaders. Finally, the executive skills involved in managing complex partner relationships need to be identified and nurtured with a career perspective in mind. These issues have not, to our knowledge, been systematically examined in the academic sales literature.

## Conclusion

The sales function is undergoing an unparalleled metamorphosis, driven by the plethora of changing conditions identified throughout this article. **The resulting research priorities outlined here stress customer-driven issues and are framed across the seven best practices identified by the Chally Group (1998): (1) establishing a customer-centric culture; (2) market segmentation; (3) market adaptability; (4) information technology; (5) sales, service, and technical support systems; (6) customer feedback and satisfaction; and (7) selecting and developing sales personnel.**

We believe attention to the research issues and questions related to these industry benchmarks will allow sales academicians to contribute substantively during the next decade both to the ongoing dialogue about sales strategy and performance and to the operational capability of modern organizations to maximize the effectiveness and efficiency of their performance of the sales function.

An important potential contribution awaits sales academicians who take up the gauntlet to address these issues in their research. As Shapiro, Slywotsky, and Doyle (1994) state, "Sales is a board room topic" (emphasis added). Opportunity abounds for those who take up the gauntlet.

### [Footnote]

Journal of Personal Selling & Sales Management, Volume XXI, Number 2 (Spring 2001, Pages 83-93).

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