Vlerick Sales Centre Article Summary Series

Better Sales Networks (by Tuba Üstüner and Davis Godes, Harvard Business Review, July-August 2006)

Summarized By Ellen Croux and Deva Rangarajan, Vlerick Sales Center

Introduction

Social networks are critical in sales. Companies and salespeople can improve performance significantly by understanding the interplay among the different webs of customers, leads and colleagues they develop. The sales process can be represented as four distinct stages, which all require a different set of abilities and network configuration. If salespeople and managers understand how networks function, they can pinpoint the most effective network configuration for each stage of a sale and take the actions necessary to create it and outshine competitors. In each stage of the sales process, the salesperson’s efforts come down to two essential and complementary types of network-management actions: managing the information flow and coordinating the efforts of contacts. This article offers a framework for systematically managing different social networks, by matching the network to the task. The article also presents three levers managers can use to encourage salespeople to integrate the network-based view and make the best possible use of social networks.

Variation in networks

A social network refers to a person’s set of direct and indirect contacts. Most managers view a sales network only in terms of direct contacts. However, someone who knows a lot of people doesn’t necessarily have an effective network. Indirect contacts can offer a high pay-off, because the more people your direct contact knows, the more valuable he is in the network.

<table>
<thead>
<tr>
<th>Four common social networks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prospect</strong></td>
</tr>
<tr>
<td>- key decision makers and other influencers inside and outside the prospect firm</td>
</tr>
<tr>
<td>- people in its purchasing and engineering groups</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
</tr>
<tr>
<td>- Individuals from current clients</td>
</tr>
<tr>
<td><strong>Marketplace</strong></td>
</tr>
<tr>
<td>- former colleagues, members of trade associations and other actors in the marketplace</td>
</tr>
<tr>
<td>- Contacts with representatives at other firms selling into the same customer base</td>
</tr>
<tr>
<td>&gt; have similar motivations but are not competitors</td>
</tr>
<tr>
<td><strong>Intra-organizational</strong></td>
</tr>
<tr>
<td>- Individuals in their own organizations (engineers, managers, marketers, manufacturing experts, sales reps)</td>
</tr>
</tbody>
</table>

Associates are widely dispersed which is better for gaining access to unique information. While in a more dense network, contacts mostly know the same people, which is more desirable when coordination and consistency are key.
Four distinct stages in the sales process: matching network to task

1. Identifying prospects

This phase depends on the ability of the salesperson to acquire precise and timely information about opportunities from contacts outside the seller’s organization and the marketplace at large. The right network strategy can make the process of finding leads much easier and less time consuming by seeing clearly into prospective firms. Salespeople looking for new and unique information should cultivate diverse marketplace networks. Direct contacts will be most beneficial in a sparsely structured network, when each contact can connect the salesperson to many different indirect contacts. Effective salespeople rely on leads from non-traditional sources, for example real-estate agents or prior engineering contacts might be able to provide new useful information, before other competing parties hear about it.

2. Gaining buy-in and upselling

Once an opportunity is identified, the salesperson needs to map the prospect organization, find its underlying problem and secure meetings with key decision makers. To achieve these goals, information must come from within the prospect. Salespeople will need to convince the initial contacts inside the organization to invest time in educating them on their firm and to introduce them to other people in the organization. To become endorsers of a proposal, direct contacts need to be reassured their reputation won’t be in jeopardy. The salesperson needs to establish fewer and stronger ties in the prospect network in order to offer this assurance. It is crucial for the salesperson to map out the prospect organization network and understand how it works. This way people who have influence can be identified and a salesperson can devote time and energy to cultivating ties to those individuals who can help them gain buy-in from the official decision makers.

The upselling approach is similar in most aspects, in order to create more deals with existing clients, salespeople must focus on building new relationships within their prospect networks. They must evaluate the nature, structure and shape of the networks in the target firm to identify brokers. Brokers are people with multiple diverse contacts inside the organization and salespeople should invest significant time in building relationships with them.

3. Creating solutions

A salesperson lands an account by developing a solution tailored to the customer’s unique business problem. Success depends on the ability to identify where components of the solution reside within the organization and the skill at mobilizing and coordinating these resources. First, salespeople need to develop a sparse intra-organizational network, which gives them access to diverse expertise. Next, the salesperson needs to forge ties among these experts and
create a dense network to maximize the coordination of their efforts in devising solutions for the prospect’s unique problems.

4. Closing the deal

In this stage, a salesperson’s job is to remove as many of the customer’s uncertainties as possible. The prospect will want to speak with other customers who can shed light on the risks, which is why the salesperson needs to provide references and mobilize contacts in prior sales to complete the deal. There will be necessity for a network of past customers and outside experts who can serve as references to help persuade the prospect to buy.

Network-smart sales strategies for managers

1. Sales force structure

Decoupling lead generation or not?

The best way to ensure that your salespeople hear about new opportunities is to encourage them to build marketplace networks with many diverse contacts. However, not everyone is naturally talented in identifying new leads. Therefore, an organization might consider decoupling lead generation from other tasks. Some people are very good at building diverse ties, while others’ strengths lie in nurturing fewer but stronger relationships. By allowing these people to focus on what they excel at, they will gain a lot more experience and become even more effective. On the other hand, the downside to a decoupled structure is the fact that lead generation is often tied to reciprocal favours delivered in later stages of the sales process. By breaking the chain of the “gift economy” a lead generator has no opportunity to return the favour. This could be remedied by creating a database to track the sources of each lead, so salespeople would be empowered to satisfy obligations.

How to lighten the load for salespeople?

In the solution stage, a salesperson might justifiably feel overwhelmed and exhausted trying to cultivate the right networks for creating various customers’ solutions. There are several ways in which managers can lighten the load. First, the extent to which your firm’s offerings have predictable solution-creation needs should be considered.

If solutions are rather standardized, a dedicated solution team should be set up for major accounts, assigning support staff and salespeople on the basis of customers’ requirements. Dedicated teams develop trust and commitment as members become comfortable working together to complete complex tasks. Establishing formal teams allows executives at the selling company to evaluate the workings of the networks of experts within their organization and relieves the burden of intra-organizational networking from the salesperson.
If your offerings are complex and customized in an unpredictable way, consider an ad-hoc approach to team development, in which support people are tapped as needed. Managers can create an intranet listing of employees’ areas of expertise and former work experiences so that salespeople assembling ad-hoc teams can easily find the most appropriate members. Instead of spending time finding internal experts, the salesperson can direct his efforts toward developing marketplace or customer networks. An added benefit is the possibility for managers to learn valuable information about support people’s response rates to these requests and their speed in answering. Another useful approach would be to create groups that cut across functional areas. This way, members of different practical areas become part of an informal, relatively sparse network.

How to maintain a network of prior clients?

In the last stage of the sales process, when creating and maintaining a network of prior clients that can act as references, the difficulty lies in the fact that prior customers might be reluctant to help rival firms make better purchasing decisions. A sales manager can help salespeople by creating an organizational structure that will motivate past clients to help. The optimal way to achieve this is to assist those clients in building their own valuable personal network. Therefore salespeople must be able to evaluate a contact’s personality type as well as her networks. It might also be useful to create a team that manages and nurtures the reference pool to ensure efficient application of previous clients. A centralized structure minimizes the chances that any contact’s privacy will be violated or his time wasted, and it thus helps prevent burnout, a common complaint among references.

2. Compensation

A well-designed compensation plan will improve your salespeople’s network management skills and maximize the flow of resources from networks. Since building the right kind of networks to foster leads is a time-consuming endeavour, a sales manager should consider offering explicit incentives for lead generation. Although this is an indirect approach to network building, it serves two important purposes: increased immediate benefits to salespeople from investment in their marketplace networks & statement to the sales force about the importance the company places on lead generation. A system of financial incentives can also induce a salesperson to take the time to log each lead and all its associated information. Capturing detailed data is extremely valuable for companies, because it allows managers to ensure that salespeople are developing high-quality leads and insures that when a salesperson leaves, the lead doesn’t disappear.

Compensating the employees for supporting the sales force in creating solutions and closing deals, motivates creation of effective intra-organizational networks. To discourage support people from aiding only projects that seem easy to sell, compensation should be based on how many sales efforts are supported, rather than on how many solutions the support people help create. In addition, when support people feel like they’re doing all the work while the salesperson reaps all the benefits, the approach of paying a commission could help ease their resentment.
Some salespeople are inclined to hoard their most valuable reference sources to ensure that the contacts are available to them when needed. There are two solutions to counterbalance that inclination, paying salespeople a small incentive for every name added to a reference pool or give recognition to the originator of a contact who eventually facilitates a closed deal.

### 3. Skills development

Senior managers must ensure that the network-based view of sales becomes integrated into the organizational culture so that salespeople can readily learn network skills.
- Network-friendly activities should be supported throughout the organization
- Training is critical to transforming the firm into a network-aware organization.
- Hiring and promotion decisions should be based on network skills

Online networks present an intriguing new skills development tool for people who aren’t naturally gifted at networking. This new technology is especially interesting if the lead generation is not decoupled from the remainder of the sales process. Salespeople must be taught how to evaluate their own and other people’s networks; it is a crucial skill to secure buy-in at prospective clients.

The intent of this article is to urge managers to give their salespeople the skills, tools and foresight to evaluate factors such as the extent of a contact’s connections in a prospect firm, whether the contacts are connected to one another, and how well the salesperson is positioned to make use of key influencers and decision makers.

### Conclusion

Cultivating networks is not an easy task, but the people who make the investment will reap tremendous advantages. Companies looking for better results can make changes to their sales force structures, compensation plans, and training programs to institutionalize the network view of sales. Another important element of a healthy customer network, is recognizing that networks need maintaining. Managers should ensure that communications always add some sort of value.