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Supporting Sales Management with CRM software – Case company SAP AG

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ABSTRACT

Increased globalization and greater market transparency are making the issue of retaining customers more and more important in today's business environment. Recent sales management trends are leading companies to focus their efforts on customer relationship management in order to achieve long-term business success. In the light of this, the question is raised as to how sales management can be supported by Customer Relationship Management software. The theoretical framework in this study was used as a model for bringing together the main concepts and building blocks in sales management. The empirical study was concluded at SAP AG and encompasses sales management software systems. Research has been conducted from several different perspectives: academics, consultants and the case company.

Key words: sales management, customer relationship management (CRM), sales task, strategic sales management, management cycle, territory management, sales force, performance measurement, competency creation, motivation, sales force automation (SFA).

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1 INTRODUCTION

1.1 BACKGROUND

Recent years have seen the emergence of a new thinking that is allowing businesses to radically re-appraise the ways in which a company deals with its customers. Increasing market transparency and globalization influences that customer retention becomes more and more important issue for organizations. Hence, the objectives of most businesses are simple: to increase their performance in finding, selling to, and servicing customers, while at the same time constraining the associated costs. The outcome of their thinking is effecting their entire customer-facing organizations, from the fundamental roles of field-sales through to the ways in which customers are empowered to serve themselves.

The enabler behind this new approach is information technology. Systems that are specifically designed to enable and support enhanced processes for sales, marketing and service. Systems that guide field salespeople through their company's established sales best practices, and place up-to-the-moment product and market information at their fingertips. Systems that allow telephone salespeople to build business relationships with their customers, and not just chase the latest mailing from marketing. Systems that allow customers to help themselves, place orders and resolve their problems, from the comfort of their own office. And, most importantly, systems that allow all of these touch points to work together, in a single embrace, delivering value to the customer wherever it most counts. (Salsnoske and Durlow, 1999; Ghosh, 1998; Guay and Ettwein, 1998; Riggins, 1998).

Businesses of every size are realizing the benefits of automating their sales processes. With the increased ability to collaborate and share information globally, quickly uncover new leads with integrated database marketing, and standardize the selling process and mange the selling cycle, sales people are better able to manage their activities and spend more time on actual selling.

1.1.1 Customer Relationship Management

Of the many different names used to describe such customer-focused approaches, Customer Relationship Management (CRM) is probably the most widespread. Other experts apply their own terms to the phenomenon, for instance: customer intimacy (Fred Wiersema), continuous relationship management (McKinsey & Co.), technology-enabled marketing (Gartner Group) and enterprise relationship management, etc. (Harvard Management Update, 2000).

According to Zornes (1999), CRM can be defined as "the automation of horizontally integrated business processes involving front-office customer touch points—sales (contact management, product configuration), marketing (campaign management, telemarketing), and customer service (call center, field service)—via multiple, interconnected delivery channels (telephony, e-mail, Web, direct interaction)". Lee (1999), defines customer relationship management as the implementation of customer-centric business strategies; which drives redesigning of functional activities; which demands re-engineering of work processes; which is supported, not driven, by CRM technology. Lee claims that such definition reinforces the understanding that CRM is a "chain reaction" triggered by new strategic initiatives rather than something you can initiate at the work process, or worse yet, technological level.

Peppers and Rogers (1999), define the four-step process as the core of CRM. The first step in the process is to *identify* your customers. Second, you *differentiate* them in terms of both their needs and the value to your company. Third, you *interact* with them in the ways that improve cost efficiency and the effectiveness of your interaction. Finally, you *customize* some aspects of the products or services you offer that customer. The customer must be treated differently, based on what is learned from the interaction. This helps to establish what Peppers and Rogers call a "learning relationship". The insights gained from the interaction with the customer become fodder for company's next product or service customization. Over time it becomes easier and cheaper to serve this customer. The customer on his side rewards company because it perceives greater value in the service or product that company provides.

The main building blocks of CRM can be illustrated in the following Figure 1:

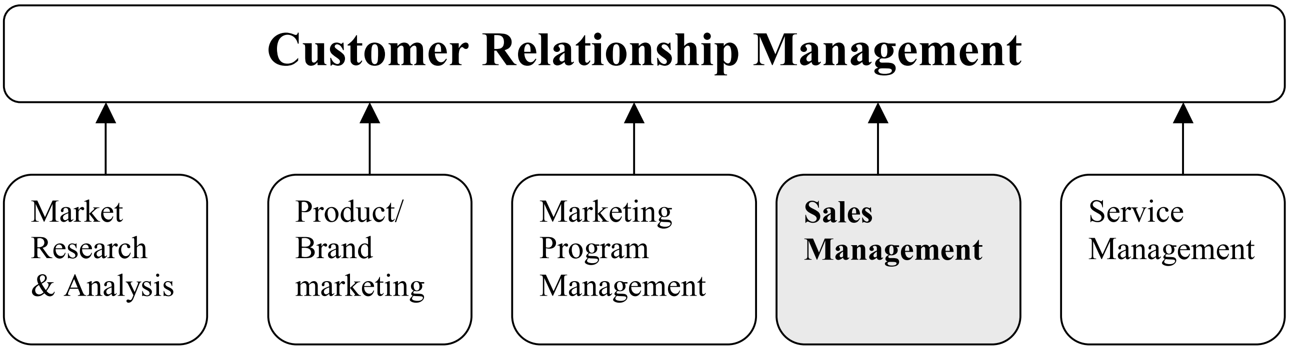

Figure 1. Building blocks of CRM (SAP AG, 1999)

1.2 PROBLEM STATEMENT AND PURPOSE

Based on the interest of the case company, SAP AG, the focus of this thesis is on one part of CRM - sales management. There are many theories on sales management, however the interesting question is how theory is used to develop software to support this specific area. Hence, the aim of the research is to investigate how sales management theory is reflected in SAP CRM software.

This thesis, therefore, aims to compare sales management theory with CRM software at SAP and see how different aspects of sales management theory are reflected in particular software features.

1.3 DELIMITATION

Looking at sales management from the customer relationship management perspective, one can see that it is closely related to and incorporates other concepts in CRM: sales, marketing and service management related activities. Although these concepts arise during the theoretical and empirical parts of this thesis, I have avoided discussing them in great depth, except where these concepts have a strong correlation with the research question.

Because of the different scope of my research, I have avoided going into technical details about the different SAP software systems which are used together with CRM software.

Geographically speaking, the empirical study is limited to Germany, meaning that all the empirical data collection and interviews were conducted in Germany. From a software perspective, the data can be considered to be internationally valid, due to the case company, SAP´s, worldwide operation and on the assumption that the way companies manage customers is similar in many countries. However, I have not attempted to empirically prove this point in this thesis.

1.4 METHOD

In this chapter, I give a short introduction about how the research was conducted. The research process can be looked upon as an instrument which explains and shows how the research question is analyzed and the problem is solved or conclusions drawn. The following sub-chapters will provide information about the disposition of thesis, research approach, research party involvement, data collection, and thesis process.

1.4.1 Thesis disposition

The problem in the thesis is studied from both a theoretical and an empirical perspective. The first chapter provides a short introduction on the scope of the study, and an overview of the disposition and research method being used.

The second chapter introduces the relevant theoretical framework. It starts by discussing sales management trends, then describes traditional interpretations of management, and leads to a description of the sales management concepts and functions.

The case company, SAP AG, and the results of the empirical findings are presented in chapter three.

Chapter Four contains an analysis of empirical findings and relates them to the theoretical issues.

Lastly, chapter five presents the conclusions and other reflections of the study.

1.4.2 Research approach

One of the most well known authors in the area of designing and conducting case study, Yin (1994) explains that case studies generally are used as an exploratory tool, but some famous case studies have proven that they can be descriptive, as well as explanatory. My research approach contains both explanatory and descriptive elements.

In order to fulfill my investigation, I first try to define the theoretical framework of the background of traditional management and sales management and the main concepts that exist. I choose to look at the traditional management elements because I suppose that these main elements apply to sales management but with an emphasis on sales related activities. When describing sales management I also considered the recent changes and trends in the sales management. Later, case analysis shows how software can support different defined building blocks of the sales management, reflecting and focusing on the view and needs of practitioners.

Yin (1994) stresses, that "case studies are the preferred strategy when "how" and "why" questions are being posed, when the investigator has little control over events, and when the focus is on contemporary phenomenon within some real-life context." (Yin, 1994, p.1). Due to the question posed in the beginning of the study, on how sales management can be supported by CRM software, the case study seems to be most considerable. Case studies, according to Yin (1994) are often criticized for not providing enough information for generalization, however this thesis does not aim to be a statistical research example. The aim is rather to test and illustrate the link between theory and practice.

1.4.3 Research party and data gathering

The subject and study area of these thesis was initiated and agreed to through a discussion with the research case company SAP AG. The headquarters of SAP are located in Walldorf, Germany. In order to enable close cooperation and easy information and data collection process I was offered the possibility of joining the company and writing my thesis at the SAP office in Walldorf. There I joined the CRM Product Management group. In addition to my thesis writing, I was appreciated to take part in different activities and projects of the department. This enabled me to learn more about SAP products, related business and made the process of empirical data collection easier.

For the purpose of my study I have used a lot of secondary data. Data was collected from different sources such as books, articles, related documentation, official publications, the Internet, and the Intranet. Since sales management in CRM context is a rather new topic, I have been challenged to search publications in the Internet and articles. These are the sources where the latest and most relevant information can be found, however I tried to be very assertive when it came to selecting reliable sources and data.

In order to conduct empirical research, primary data was collected during direct interviews. To enable a more flexible approach I used open interviews technique, which I considered to be most valuable method. All interviews were conducted through a direct contact. The interviewers were selected on the basis of their knowledge and involvement in particular areas of the topic of investigation. Interviews were mostly held in the form of discussion and no specific questionnaire was applied. A part of the information is obtained through discussions with employees at various parts and levels of the company.

1.4.4 Thesis process

The thesis process began by familiarizing myself with SAP software and functionality, combined with the theoretical investigation. Having defined the theoretical framework of sales management, I then focused on the empirical investigation, and started interviews at SAP concerning defined building blocks of sales management.

The thesis process has been extremely valuable, stimulating and, sometimes quite difficult. The main direction of the thesis was set from the very beginning; however, the more I investigated the more questions and perspectives were brought up. Fortunately, following discussions with my professor and supervisors at SAP, I broadened my perspective and this thesis turned into a continuous learning process rather than just writing a final paper to graduate. The interest in the process of my thesis and the enthusiastic cooperation of my colleagues at SAP was very motivating and supportive, both when it came to obtaining empirical data and my personal learning about CRM.

2 THEORETICAL FRAMEWORK

This chapter first provides an overview of the recent trends in sales management, and then introduces the management cycle as the base for any kind of management. This is followed by a description of the concept of sales management and a definition of sales related activities with regard to traditional management elements. The final part leads to the empirical study and analysis.

2.1 TRENDS IN SALES MANAGEMENT

These days, many sales organizations face fierce global competition in both home and international markets. According to Ingram, LaForge and Schwepker (1997), purchasing function is increasingly viewed as an important way for organization to lower costs and increase profits. Hence buyers are more demanding, better prepared, and highly skilled. The costs of maintaining salespeople in the field are escalating at the same time that sales organizations are being pressured to increase sales but decrease the costs of doing business. Thus, sales organizations are being challenged by competitors, customers, and even their own firms. Due to these challenges many organizations are making changes in sales management. The traditional transaction selling model is increasingly being replaced by more relationship-oriented selling approaches. Instead of an emphasis on selling products in short run, salespeople are being required to develop long-term relationships by solving customer problems, providing opportunities, and adding value to customer businesses over an extended period of time.

Sales management trends can be briefly illustrated in the following Figure 2:

From	**To**
Transactions	Relationships
Individuals	Teams
Sales volume	Sales productivity
Management	Leadership
Local	Global
Product	Service

Figure 2. Sales management trends (Ingram, LaForge and Schwepker, 1997, p. 9)

However, Ingram, LaForge and Schwepker (1997) further state that, disregarding new trends, the sales management framework itself (later presented in Figure 6) is still relevant.

Shapiro, Slywotzky and Doyle (1998), support the idea of new trends in sales management and introduce the concept of *strategic* sales management, saying that, in an environment where customer demands predominate and where competition is both relentless and increasingly international, the world of selling must accommodate a dramatically changed world of buying. Crucially, sales management itself must catch up with this new world of selling. Further Shapiro, Slywotzky and Doyle (1998) argue that in today's new world business order where customers reign supreme, increasingly demanding industrial, commercial, and consumer sales situations require a better response than that offered by the old line sales force. Sales management is primary responsible for what happens when the company meets its prospects and customers, hence it must be *strategic.*

Considering changes in business world described above, Shapiro, Slywotzky and Doyle (1998) further say that the old general purpose of the sales force is generally not up to the challenge. The differences are presented below in Table 1.

Old Approach	**New Approach**
Get new accounts	Retain existing accounts
Get the order	Become the preferred supplier
Pressure your company to cut the price	Price for profit
Give service to get sales	Understand cost implications and manage for profitability
Manage all the accounts the same way	Manage each account for maximum long-term profitability
Sell to anyone	Concentrate on the high profit potential accounts

Table 1. Old and new sales force task approach (Shapiro, Slywotzky and Doyle, 1998, p.8)

In order to support company profitability the new sales force has to manage:

- Account retention
- Account dominance
- Pricing
- Selling and service cost
- Account selection

At this point, it is clear that sales force and sales management must be redesigned to meet the new needs. Hence, in this paper this new approach of sales management will be taken into consideration.

2.2 TRADITIONAL INTERPRETATION OF MANAGEMENT

The major functions of management, in general, apply to any area of management, as well to sales management elements. Hence, I will take a look at the main views on management and try to show how the main management functions are integrated in sales management.

According to McNamara (1999), there are a variety of views about management, however, traditionally, the term "management" refers to the set of activities, and often the group of people, involved in four general functions, including: planning, organizing, leading, and coordinating activities. The four functions recur throughout the organization and are highly integrated.

The management cycle of Bywater (1984), illustrated in Figure 3, shows how main management functions interrelate with each other and presents the idea of "adaptive planning”, which could also be interpreted as function of reaction on results of analysis and control function.

Other writers have similar view on the concept of management and define the main functions in the similar manner using different naming.

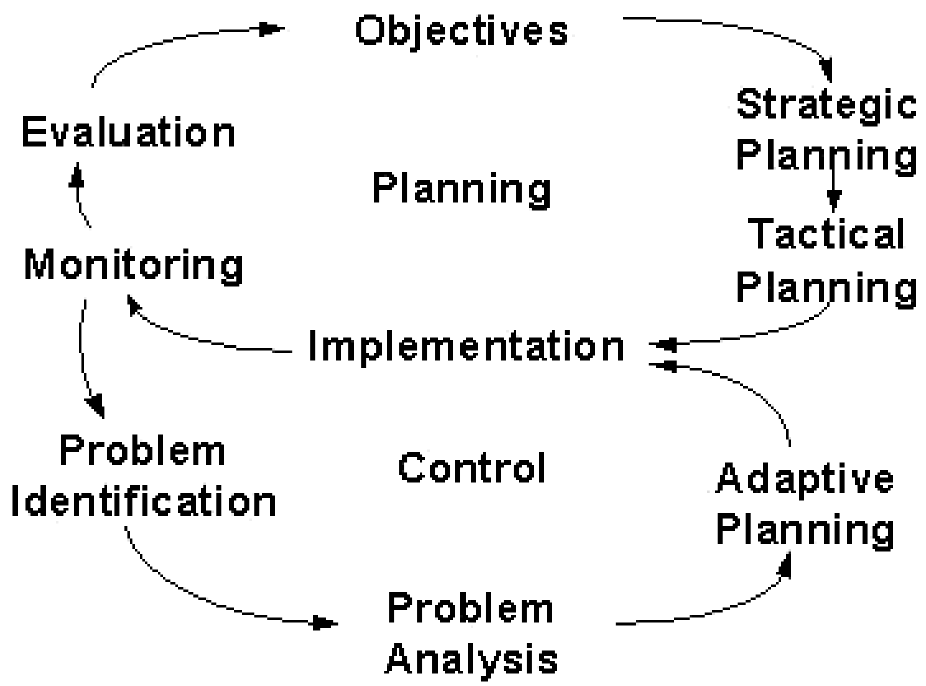

Figure 3. The management cycle (Bywater, 1984, p.1)

Loen (1964), Alessandra, Cathcart, Monoky (1990) define management as planning, directing/ implementation, and controlling the activities of other people in the same organization in order to achieve or exceed desired objectives. Mackenzie (1969) defines 5 steps in the management process: plan, organize, staff, direct, and control.

Further McNamara (1999) says, that some writers, teachers and practitioners assert that the above described view is rather outmoded and that management needs to focus more on leadership skills, ex. establishing vision and goals, communicating the vision and goals, and guiding others to accomplish them. They also assert that leadership must be more facilitative, participative and empowering in how visions and goals are established and carried out. However, it can be said that this really isn't a change in the management functions, rather it's re-emphasizing certain aspects of management.

To summarize all the views presented above, the key functions of management could be defined as follows:

1. Planning
2. Action: organizing, staffing, directing
3. Analysis/ control

These key activities can be illustrated in management cycle in Figure 4. Arrows are placed in the cycle to indicate that those functions generally tend to be "sequential". According to Mackenzie (1969), one ought to ask what the purpose or objective is which gives rise to the function of *planning*; then comes the function of action: *organizing* - determining the way in which the work is to be broken down into manageable units; *staffing* - selecting qualified people to do the work and *directing* - bringing about purposeful action toward desired objectives. The function of *control* is the measurement of results against the plan, the rewarding of people according to their performance, and the re-planning of the work to make corrections; thus, starting the cycle over again as the process repeats itself.

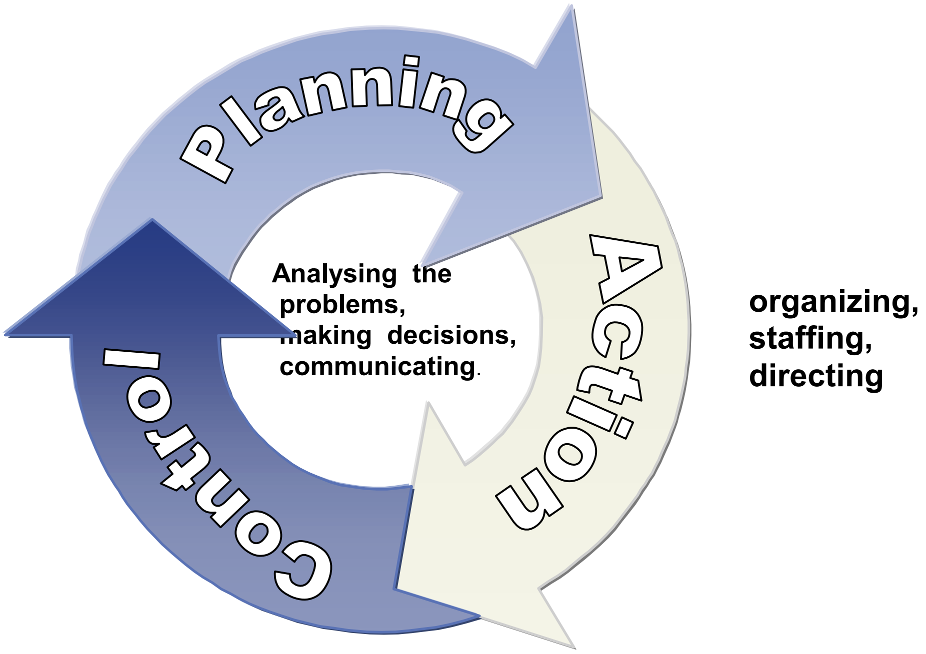

Figure 4. Management cycle. Own construction.

The three functions, *analyzing problems, making decisions and communicating,* are called by, Mackenzie (1969), "general" or "continuous" functions, because they occur throughout the management process, rather than in any particular sequence. For example, many decisions will be made throughout the planning process as well as during the organizing, directing and controlling process. Equally, there must be communication for many of the functions and activities to be effective, and the active manager will be employing problem analysis throughout all of the sequential functions of management.

The main functions of management are deeply integrated in sales management. Hence, to ensure understanding, simplified examples for each of the functions are added below.

2.2.1 Planning

Planning is traditionally considered to be one of the major functions of management. Planning means identifying where you want to go, why you want to go there, how you will get there, what you need in order to get there, and how you will know if you're there or not. Planning is setting the direction for something -- some system -- and then working to ensure the system follows that direction. Systems have inputs, processes, outputs and outcomes. To explain, *inputs* to the system include resources such as raw materials, money, technologies and people. These inputs go through a *process* where they're aligned, moved along and carefully coordinated, ultimately to achieve the goals set for the system. *Outputs* are tangible results produced by processes in the system, such as products or services for consumers. Another kind of result is *outcomes*, or benefits for consumers, e.g., jobs for workers, enhanced quality of life for customers, etc. Systems can be the entire organization, or its departments, groups, processes, etc. (McNamara 1999).

Whether the system is an organization, department, business, project, etc., the process of planning includes planners working backwards through the system. They start from the results (outcomes and outputs) they prefer and work backwards through the system to identify the processes needed to produce the results. Then they identify what inputs (or resources) are needed to carry out the processes.

Planning is typically done in a certain order and includes use of the following basic terms (Loen, 1964; Mackenzie, 1969; McNamara, 1999):

Goals	Goals are specific accomplishments that must be accomplished in total, or in some combination, in order to achieve some larger, overall result preferred from the system, for example, the mission of an organization, department, group, individual, etc. (Referencing back to systems, goals are outputs from the system.)
Forecast	Establish where the present course will lead.

Set objectives	To determine desired end results. Objectives are specific accomplishments that must be accomplished in total, or in some combination, to achieve the goals in the plan. An objective is often higher than a forecast
Develop strategies or activities	Decide when and how to achieve goals and objectives. Strategies or activities are the methods or processes required in total, or in some combination, to achieve the goals. (Referring back to systems, strategies are processes in the system.)
Tasks	Particularly in small organizations, people are assigned various tasks required to implement the plan. If the scope of the plan is very small, tasks and activities are often essentially the same.
Program	Establish priority sequence & timing of steps. Program a plan of individual/ group activities or accomplishments with time of due dates.
Budget	Budgeting means allocating of resources, which include the people, materials, technologies, money, etc., required to implement the strategies or processes. The costs of these resources are often depicted in the form of a budget. (Referring back to systems, resources are input to the system.
Procedure	Standardize methods for carrying out a policy. Ex. claim and complain procedure for effecting a product performance policy.
Develop Policies	A policy is a formal or informal practice which serves as a general guide for decision making and individual actions. Ex. policy of product performance, in which the company quarantines customers that its products will perform or function as advertised.

2.2.2 Action/ directing

Directing means leading the organization, groups and individuals and, also, influencing them to implement the plans. In other words, directing is exercising leadership and human relations skills in implementing and carrying out approved plans through others in order to attain or exceed objectives (Loen, 1964).

The directing function includes the terms (Loen, 1964; Mackenzie, 1969; McNamara, 1999):

Organize	Organizing means first, creating organization structure, then designing the number and kinds of positions, along with corresponding duties and responsibilities, required to attain or exceed objectives. Then the relationships between the positions have to be delineated and positions qualifications established.
Staff	Selecting: recruiting qualified people for planned positions. Orienting: familiarize new people with the situation. Training: Provide necessary education in order to make employees be able to perform their duties and responsibilities at maximum. Developing: help to improve knowledge and skills.
Delegating	Assigning work, responsibility, authority and accountability so that everyone can use his abilities at utmost.
Motivating	Encouraging employees by tangible and intangible rewards for achieving or exceeding objectives.
Coordinating	See that activities are carried out in relation to their importance and with a minimum of conflict. Relate efforts in most effective combination.

Supervising/ coaching	Giving day-to-day instruction, guidance, and coaching subordinates in implementing and carrying out the plans
Counseling	Holding planned discussions with subordinates about how he/she might do a better work, solve a personal problem, or realize his/her ambitions. Ex. holding a planned discussion with salesmen to help him to realize the need for planning better how to utilize his time.
Manage differences	Encourage independent thought and resolve conflicts
Manage change	Stimulate creativity and innovation in achieving goals

2.2.3 Control

Loen (1964) defines controlling as measuring progress towards objectives, evaluating what needs to be done and, then, taking corrective action to achieve or exceed objectives. McNamara (1999) says that control and analysis systems must be involved in order to find out if organization's systems, processes and structures are functioning effectively and efficiently towards reaching set goals and objectives. The control/analysis stage checks whether the plans are carried out in the right manner and how the plans match changes in external and internal environment. This function includes collection of feedback, monitoring and adjustment of systems, processes and structures accordingly. It includes use of financial controls, policies and procedures, evaluation and performance management tools and processes, and other measures.

Examples include Loen (1964), Mackenzie (1969), McNamara (1999):

Establish reporting system	Determine what is the critical data needed, when and how.
Develop	Standards mean criteria for determining the degree to which

Standards	the individual/group performance has been met.
Measuring results	Determining through formal and informal systems which progress toward objectives is being made.
Evaluating	Determining which are significant deviations from planned performance as well as the importance of various factors which affect results. Ex. follow salesmen to customer meeting in order to find out whether sales problems are customer centered, salesman centered or policy centered.
Deciding	Making judgments on the course of action to be taken.
Improving	Developing more effective or economical procedures, policies, organization, products etc. Adjusting plans, re-planning.
Rewarding	Praising, remunerating and discipline.

It is important to mention that the planning, action and control functions suggested by the theory is a general framework of management functions. However, in practice, organizations might not perform all of these functions and the sequence might differ.

2.3 SALES MANAGEMENT CONCEPT, FUNCTIONS AND POSITIONING

As mentioned previously, management cycle theory applies and incorporates elements of sales management with a specific emphasis on sales related activities. According to Ingram, LaForge and Schwepker (1997), "sales management can be defined as management of an organization's personal selling function". Sales managers are involved in both strategy (planning) and people (implementation) aspects of personal selling as well as evaluating and controlling all personal selling activities. They must be able to deal affectivity with people in the personal selling function, with the people in other functional areas in the organization, and

with the people outside the organization, especially customers (Ingram, LaForge and Schwepker, 1997).
Churchill, Ford and Walker (1990) name three main functions of sales management:

- Formulating strategic sales concept,
- Setting sales programs, and
- Evaluation and control of sales personnel.

Following, Figure 5, based on Churchill, Ford and Walker (1990), illustrates what is involved in sales management.

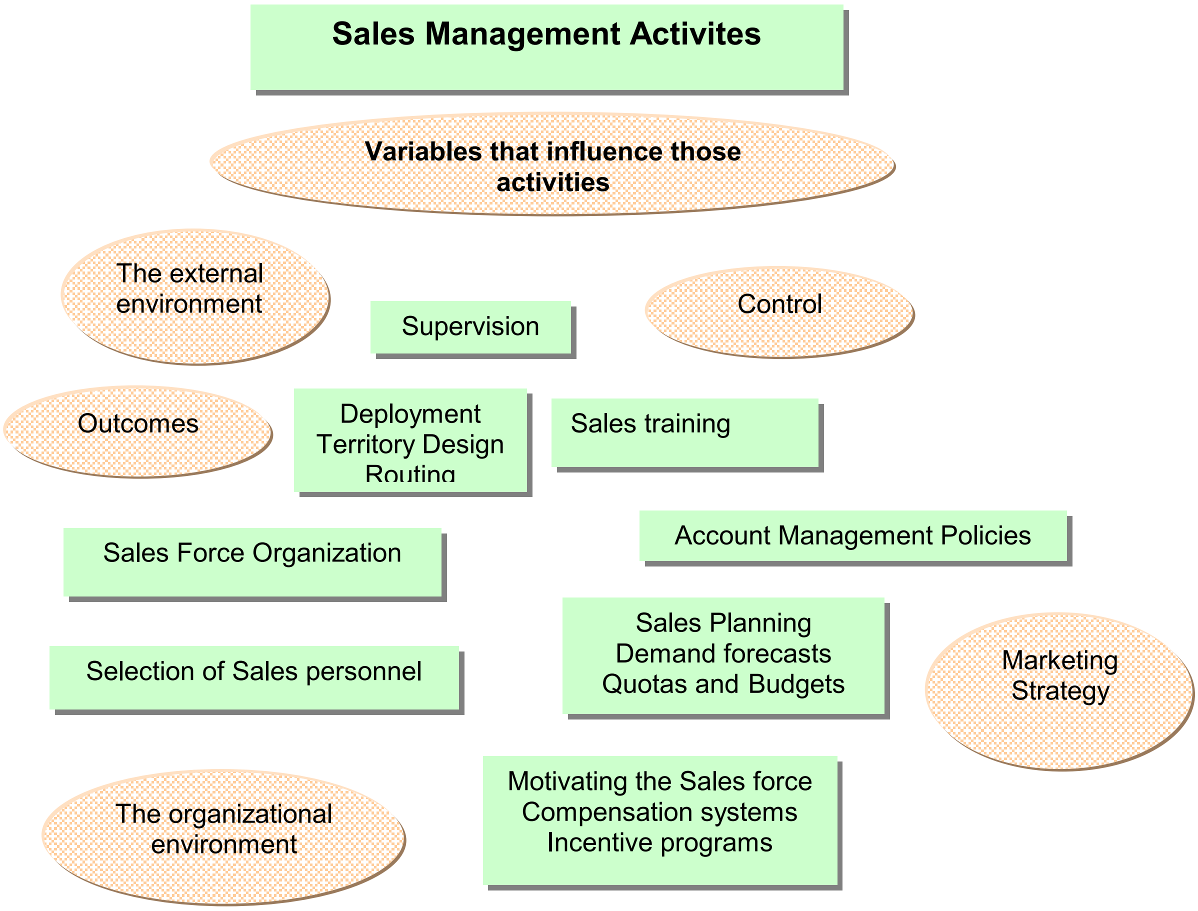

Figure 5. What is involved in sales management (Churchill, Ford and Walker, 1990, p.21).

It can not be generally said which functions of sales management are most important, because it differs from company to company, depending on the company structure, business area and so on.

From the perspective of sales manager, the main goals of sales management are to optimize sales performance, which could be measured by increase of sales territory, revenue or similar. According to Lingenfelder (1990) and Rogers (1987), if we presume that the sales manager delegates a lot of tasks to his/her employees then developing sales strategies, order management, managing sales reps and sales territories remain as the core tasks. Further, Lingenfelder and Rogers comment that job descriptions of sales manager usually put the focus on sales planning, implementation and control issues which highlights the main general management functions.

American authors, Steinbrink (1989) or Wilner (1998), categorize the tasks of sales management into two main areas:

- Managing the sales function
- Managing the sales force

German writers describe the tasks of the sales management using similar names. According to Dehr and Donath (1999), in the area of sales management in terms of sales planning and sales control, there are two main tasks:

- Consideration of the effects of sales decisions on different parts of organization.
- Coordination of planning and control of sales policy and structuring of sales force including the selection, training and positioning of personnel.

Ingram, LaForge and Schwepker (1997), in Figure 6, present the sales management model, which illustrates the major sales management areas.

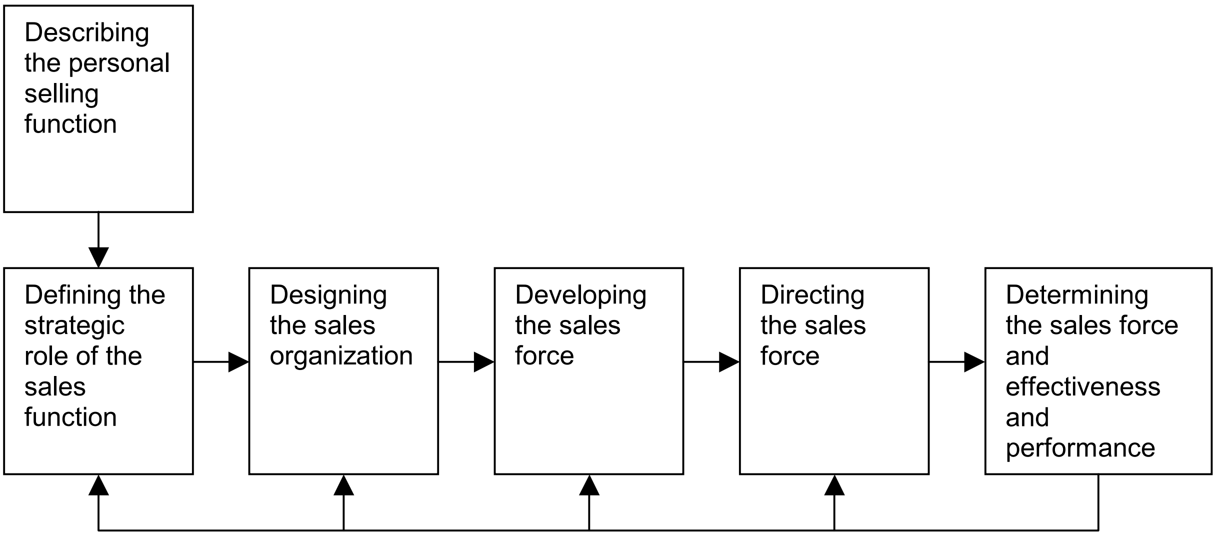

Figure 6. Sales Management Model (Ingram, LaForge and Schwepker, 1997, p. 3)

Summarizing all theoretic views, the four major aspects of sales management can be defined:

- The strategic side of sales management - planning and budgeting.
- Forecasting - predicting and organizing.
- Selling - account and territory management.
- Human resource management - recruiting and training, leading and motivating of the sales force.

In the following paragraphs, I discuss planning in sales management, territory management and traditional aspects of sales management, such as sales cycle management, competency creation, motivation of the sales force and performance measurement.

2.3.1 Planning in sales management

The general definition of planning and the main terms were described previously in management cycle. These main terms of planning, such as setting the goals, forecasts, objectives, developing strategies or activities, assigning tasks, establishing programs and procedures, creating budget, etc., apply as well to sales management with an particular emphasis on sales related activities. Alessandra, Cathcart, Monoky (1990) define the following parts of planning and sequence common in sales management:

- Strategic planning - includes setting sales goals, objectives and planning sales strategy to reach these objectives.
- Marketing planning - this planning basically rolls out of the strategic plan and addresses the product mix and the market-target segment mix.
- Sales planning (operational) - translates the marketing plan into programs and tasks for the sales force to implement. It contains of sales force architecture design and development of forecasts and budgets. On tactical level it also addresses other issues such as: recruiting, training, coaching, evaluation and motivation of the sales force.
- Territory planning - utilizing information of marketing plan and forecasting, plan, division of territories.

2.3.1.1 STRATEGIC PLANNING

According to Ingram, LaForge and Schwepker (1997, p. 107)

"once the corporate strategy has been developed in the company, management becomes concerned with implementation, evaluation, and control of the corporate plan. Although the corporate strategy has the most direct impact on level operations, each element does affect the sales function, by placing certain demands".

As already discussed previously, the move from the transaction to a relationship orientation, and from an emphasis on sales volume to sales productivity, are two key trends precipitating sales strategy changes. Developing the appropriate sales strategy for each account is needed to effectively execute corporate, business and marketing strategies. According to their evaluations, Ingram, LaForge and Schwepker (1997) argue that, a sales strategy is designed to execute an organization's marketing strategy for individual accounts. The major purpose of the sales strategy is to develop a specific strategic approach for selling to individual accounts within a target market. A sales strategy capitalizes on the important differences among individual accounts or groups or similar accounts. The sales strategy has a major impact on a firm's sales and profit performance. It also influences many other sales management decisions, such as sales force recruiting/ selecting, training, compensation, and performance. Ingram, LaForge and Schwepker (1997) suggest a framework containing four basic areas of sales strategy: *account targeting strategy, relationship strategy, selling strategy* and *sales channel strategy.*

On the strategic level, planning deals with general information, setting the main strategies with budget and time frame, whereas, on operational level, plans contain more detailed information concerning budget, time frame, sales force and etc.

2.3.1.2 MARKETING PLANNING

The firm's marketing plan represents the overall strategy the firm uses to identify and pursue promising markets (Alessandra, Cathcart, Monoky, 1990). It includes the process of deciding the company's objectives, policies, resources, and strategies. The marketing plan is one of several functional plans, however it is by far the most important from the view of sales force. According, to Alessandra, Cathcart, Monoky (1990), the marketing plan basically rolls out the strategic plan on a one to three year time frame, but it is significant for the sales force because it defines the seller's environment: product mix (- what each sales person has to offer) and market-target mix (- the audience towards which selling efforts will be directed.).

2.3.1.2.1 Relationships between marketing and sales functions

Traditionally, the sales people dealt with the accounts and the marketing people with the other elements of marketing mix, such as price, promotion, branding, etc. Now, because of the increased power transition to customer, marketing and sales organizations must make joint decisions about product, price, brand and all kinds of support policy and its execution. The account managers, product managers and advertising managers will need to work together to protect profits and enhance volume in the harsh world of customer power, intense competition and over capacity. Most of all, the product managers and advertising managers will need to develop a new respect for an understanding of customers, account managers and sales managers (Shapiro, Slywotzky and Doyle, 1998). Because such a close cooperation is required between marketing and sales area, marketing planning is mentioned as a part of sales management.

In addition, because of the recent focus on the customer it is important to have a close relationship, not only between marketing and sales organizations, but to include service organizations and ensure a coordinated, overall relationship with the customer.

2.3.1.3 OPERATIONAL SALES PLANNING

From the perspective of the management cycle, the next step is to translate the marketing plan and sales strategies into programs and tasks for the sales force to implement. Sales planning also includes development of forecasts and budgets. Shapiro, Slywotzky and Doyle (1998) argue that due to today's sales management trends and the new purpose of sales force (presented in Figure 2 and Table 1), there should be a new approach taken when it comes to planning. They state that the right place to begin is not headquarters, but rather the customer interface. When the company confronts the reality of managing customers in the competitive marketplace it has to examine, first, the nature of the sales task. The only way to define the requisite systems is to focus on the needs at the customer/ company interface. Customer satisfaction, sales growth and profitability can be clear goals at the field level. Further Shapiro, Slywotzky and Doyle (1998) notes that the clear specification of the sales task is not only the right place to begin strategically, but also the right place to end tactically. Indeed, the research of Shapiro and Sviokla (1993) shows that a clear sales task is a more powerful salesperson motivator then the nature of the compensation system or personality types.

Four key determinants define the sales task (Shapiro, Slywotzky and Doyle, 1998):

1. Which accounts?
2. Which products and services?
3. What specific activities are to be accomplished?
4. What are the key interactions with other parts of the company?

According to Shapiro, Slywotzky and Doyle (1998), this broadly defined sales task encourages job enrichment, minimizes hands-off or coordination in a single account (such as the switch between the account opening salesperson and the account maintainer) and minimizes travel time.

The first three aspects of the sales task define which accounts with which product and services are to be approached, and how (ex. which activities have to be accomplished or the design of sales process). The final aspect of task definition involves the relationship of the sales force to other parts of the company. Internal company coordination and communication must be swift, flawless and "wide bandwidth". Information flow between the sales until and internal operations is often complex, involving new custom products and services, delivery and promotional commitments, and major financial implications.

The environmental forces characterizing today's business landscape makes the sales task definition highly unstable. Changes in customers' priorities, the arrival of new competitors or offerings, alteration in customer needs and power can trigger a fundamental redefinition of the task, hence a dynamic framework must be set up for sales task definition. Once the company's sales task is defined clearly and situated in dynamic framework, many other decisions can be made correctly (Shapiro, Slywotzky and Doyle, 1998).

2.3.1.4 SALES FORCE ARCHITECTURE

When the strategies, programs, budgets, procedures and tasks are formulated, the next step in the management cycle is to arrange, organize, and relate work for effective accomplishment of objectives. Creating the sales force architecture from the management cycle's view means establishing the organization structure, relationships, creating positions and establishing position qualifications in order to fulfill the plans.

It includes:
-the types and quantities of different sales force needed,
-the structure of sales force,
-specialization,
-mix of in-house and outsourced sales force activities,
-resources dedicated to each type of sales force,
-the boundaries and relationships between the sales forces.

The sales task analysis described above will often reveal several separate tasks. Even if they may overlap, typically the patterns that emerge are quite distinct. The company's sales force architecture creates a structure that prevents the commingling of distinct tasks, and enables the efficient execution of the different sales tasks.

Shapiro, Slywotzky and Doyle (1998) says, that the number of distinct sales tasks will drive the complexity of sales force architecture. For example, a small pharmaceutical firm with narrow product line , will have two distinct tasks: detailing to general practitioners and selling to hospitals. Then, the right architecture would consist of two units: the general field force and a separate specialized force calling on major hospitals. If the firm is larger with broader product line and more different types of customers, the sales task analysis leads to much more complex architecture with different sales force units for government buyers, neurologists, general practitioners, major hospitals and etc. For an information services company, changing customer sophistication changed the sales task from trials and getting orders, to selling solutions specifically developed for the needs of four vertical market segments. The architecture of the sales force had to change from a general field force to four specific forces focusing on money managers, investment banks, commercial banks, and corporate financial officers.

Lastly, Shapiro, Slywotzky and Doyle (1998) say that the most common mistake in sales management is to diddle with organization structure without understanding the sales task. Arguing about product-oriented vs. account-oriented sales forces without a clear sales task definition does not lead to useful outcomes, as decisions are usually being made based on political power, not sound thinking. If the specification of the sales task precedes the architectural discussion, however, the architecture can be shaped to meet customer needs and competitive exigencies, instead of political whims.

2.3.2 Territory management

Territory management, according to Alessandra, Cathcart, and Monoky (1990), means managing a sales area by sales representatives who are allocated there. It contains the following activities:

- Planning visits, implementation, follow-up work
- Methods of optimization
- Reports and statistics, etc

There can be different criteria to form territories:

- Product/Service
- Field sales employee
- Customer or sales prospect: size, area of industry, geographical location.

Before the territories are designed it must be defined which unit should work with them: external sales force, service, key account management, call center, product delivery, etc.

Hisrich and Jackson (1993), suggests four major approaches to dividing the sales force into territories: *geographic* organization*, product, customer and functional* organization. The complexity of the market and the product line are perhaps the most critical factors in deciding which approach to employ, but others, such as the location of customers and the tasks involved in the particular sales job, are also important. Table 2, based on Hisrich and Jackson (1993), illustrates different approaches for dividing the sales force into territories and presents benefits and drawbacks of each.

Type of territory organization	**Benefits**	**Drawbacks**
Geographic Even when another approach is employed, it is used in conjunction with a geographic division. About the only time geographic organization is *not* used is either when the company serves only one area of a country or when the customer base is very limited.	- The salesperson is able to become an "expert" on a given region. - Lower travel costs. - Customers know exactly whom they need to speak with about a question or problem. - Easier to administer. - A company can better ensure that a region is being adequately covered. - This approach lends itself to conducting a limited test market.	- If the company has a wide spectrum of products, it is very difficult for one person to know the full line. - If there are very different types of customers, a salesperson may not be able to provide proper service for each. - Salespeople may not be willing to relocate when they are assigned to new territories. - Salespeople must be generalists instead of specialists, and this can create difficulties in certain circumstances.
Product For companies with a wide variety of product lines or for those that have several very different and complex lines, the product organization can provide the most effective approach to selling the products.	- The salesperson can become a specialist on a particular product or product line. - The salesperson can better serve the more specific and complex needs of customers. - The marketing of a particular product can be better controlled and monitored	- Duplication of effort: More than one salesperson covers a given geographic area, which leads to an increase in costs. - It can be confusing to customers. - Travel time and travel costs for salespeople increase. - The administration involved with this approach is more difficult. - Sometimes this approach can lead to parochialism in that each product group tends to protect its own turf.
Customer	- The specific needs of the	- Efficiency is decreased

With an increasing emphasis on developing closer alliances with customers, firms are looking for more effective ways to serve customers' specific needs. Purchasing departments, production processes and the corporate cultures of a firm's customers are sometimes different enough that salespeople need to be specialized along customer lines.	different customer segments are served. - Because salespeople are closer to the customer, they know what is happening in the industry and how it is changing. - Resources can be better allocated to the different segments. - Salespeople can work more closely with customers to develop new technologies and products.	because more than one salesperson covers a geographic area. - There may be provincialism among salespeople covering the different types of customers. - Salespeople must know the entire product line. - Administering and coordinating the efforts of the different groups are more difficult.
<u>Functional</u> The sales job includes a variety of different skills and tasks. These are often in conflict in that performing one well means not doing an adequate job on another. Also, individual salespeople often do not have the time to perform all their tasks. Dividing the sales force by function is sometimes the best approach.	- The strengths of individual salespeople in the company can be coordinated for effective use. - The firm can concentrate on certain critical tasks. - A more defined allocation of resources is possible.	-Costs increase because more salespeople are needed to perform specialized functions. - There may be customer confusion. - It is difficult to find the "right" salespeople to be the specialists. - The system is difficult to administer.

Table 2. Benefits and drawbacks of four types of territory organizations. Own construction.

According to Shapiro, Slywotzky and Doyle (1998) and Hisrich and Jackson (1993), dividing the sales force by geographic region was traditionally the most commonly used approach, meaning one sales person

covered all accounts in a given territory. With increasing size and complexity of accounts and decreasing costs of communication and transportation, the all-account sales force may not make sense in many companies. Focus by account type can enable a sales person to develop a higher level of customer knowledge and better customer service/sales skills. It can facilitate internal support for special account needs. Geographical coverage minimizes travel time, a very important issue, especially with small orders and accounts in low density areas. Accounts with very large potential may justify a totally dedicated account manager, or even a whole account team.
Product focus is good because it increases sales person product knowledge and attention. But so is the efficiency of the single geographical salesperson who can amortize travel time over the entire product line. In addition, customers often want a single point of contact, not a series of product specialists.

There is no simple answer as to which approach of territory management is the best, but Shapiro, Slywotzky and Doyle (1998) suggest that intense customer type analysis in respect to different product, could be a powerful tool:

	Product A	Product B
Account type 1	Task A1	Task B1
Account type 2	Task A2	Task B2

With such a chart, if column similarities predominate, it is suggested to organize territories by product. If row similarities predominate, account type orientation is suggested.

2.3.3 Traditional aspects of sales management

So far the paper focused on how market changes among customers and competitors have forced the reassessment of the nature of the sales task and thus the architecture of the sales force. Further, I discuss the more traditional concerns of sales management; such as, managing the sales cycle, recruiting the right people, developing incentive compensation schemes, motivating them, and measuring performance.

2.3.3.1 MANAGEMENT OF THE SALES CYCLE

The sales cycle of a product or service begins when a opportunity for sales is recognized. The process ends with a sales order or a rejection from the customer. In the mean time, various sales activities, such as sending information material, customer visits, product presentations, quotations and contractual negotiations, take place. An Opportunity goes through a sales cycle which is divided into various phases. Opportunity can turn into a sales quotation, then into a sales order, contract or lost opportunity. Specific sales activities are carried out in different phases of the sales cycle.

According to Alessandra, Cathcart and Monoky (1990), in order to maintain the growth of the business, the firm must continually replenish the source of prospective clients, qualify prospects to determine their eligibility as clients, and study the needs of each prospect and propose solutions to prospects problems. In other words, the sales cycle steps discussed above create a "sales pipeline" (Alessandra, Cathcart, Monoky, 1990, p.174). At the start of the pipeline there are all the firm's target market segments. Through the process of qualification, this group must be reduced to manageable number and the one that present the greatest opportunity must be selected. Once a lead has been qualified it becomes a prospect. The next step is to initiate the contact with sales prospect, then study prospects needs and propose solutions to clients problems. If the proposal is confirmed by the customer, the next step is to assure the customer satisfaction, otherwise if the proposal is rejected the process comes back to the step of studying the needs. Further more, the new proposal can be made or, if it comes out that there is no need at the moment, the prospect is placed in the beginning of the sales pipeline for later future contact.

2.3.3.2 PERFORMANCE MEASUREMENT

The famous phrase "You get what you measure "suggests that in order to reach company goals it is inevitable to align performance measurement systems with key determinants that influence reaching company goals and sales strategy implementation. Performance of the sales force, in particular, is driven by motivation systems. This means that performance measurement and motivation systems have to be closely tied thus this keeping focus and effort of sales people on the right issues (Hisrich and Jackson (1999), Shapiro, Slywotzky and Doyle (1998)).

The measurement system is also often the clearest statement of the sales task. It also has to be closely tied to the key variables central to corporate strategy; for example, profitability, not just revenue, which would stimulate profitable account selection.
In addition, a good measurement system must have a internal and an external view. Shapiro, Slywotzky and Doyle (1998) suggest that an external view should have at least three components:
-*strong relationship* to the account planning necessary for major accounts (learn account needs and develop plans to satisfy them),
-*potential* (instead on focusing sales versus budget, or sales versus last year, it is rather more important to look at penetration by product/service, by account, by site)
-*competition* (sales persons data on account/ territory with identification of trends and important patters. Its because salespeople in the field often know more on what's going on than headquarters).

Recent information technology and software offer enormous help in measuring the performance of the sales force and in allowing salespeople access to centralized databases. The data should flow both ways. The systems provide inventory, delivery, engineering, promotional, and other information to the sales force. In return, the sales force provides detailed account and competitive information to a centralized database.

2.3.3.3 COMPETENCY CREATION

Competency creation mainly contains the following activities: *recruiting*, selection, *training* and *coaching*. Earlier in this paper, the importance of these activities were described from a traditional management perspective. According to Shapiro, Slywotzky and Doyle (1998, p.14) "in the new world of sales we need carefully chosen, well-trained sales people, particularly to handle major accounts, or where necessary, a large variety of products, services, accounts, and selling activities". To perform these complex, multi-varied tasks absolutely outstanding people are needed.

In most organizations, sales managers have the ultimate responsibility of sales force *recruitment*, even if they coordinate their efforts with human resource personnel and have top management support. The research of Lawlor (1995) shows that employee replacing costs can reach 150 percent of that employee's annual salary; hence, it is apparent that recruitment and selection are very challenging and important responsibility of sales management. Recruitment is the first and critical step in competency creation, as "if you do not start with the right individual, no motivation scheme or measurement system around will turn the person into an outstanding performer" (Shapiro, Slywotzky and Doyle, 1998, p.14).

The second competency creation activity is *training*. Training is important because it provides the sales person with knowledge and understanding about the company customers, products and services, and the company. Often sales people take part in negotiations and it is important that they understand the financial impact of different outcomes of those negotiations on their own company and their customer. Ingram, LaForge and Schwepker (1997) stress that the need for sales training is continual, because of the constantly changing sales environment.

Intensive coaching of the sales force is the third activity of sales force competency creation and it, also, ensures that the skills learned during the training are applied in the field. Hence, coaching enhances and complements training and enables sales person to develop more subtle skills that can only be developed through the experience (Shapiro, Slywotzky and Doyle, 1998).

2.3.3.4 MOTIVATION

Motivation is often presented by different writers as a one of the very important functions of management. Sales force motivation contains different parts, such as incentive compensation, personal encouragement, contests and etc. An important outcome of motivation is effort. According to Cespedes (1988), in a sales organization, effort can be divided into two important dimensions: type of effort (ex. account maintenance activities, focus on a new products versus established, etc.), and quantity of effort (ex. number of accounts, call frequency, etc.). The important issue in sales compensation is what goals or objectives should be established in order to guide efforts towards desired results. As mentioned previously, usually in organization performance measurement system is closely tied and feeds back to the motivation and competency creation systems.

However, the complexity of sales force motivation systems arise because of the difficulty to find the right sales force performance measures. Sales people are often responsible for relationship maintenance, product mix management, and pricing. Hence, Shapiro, Slywotzky and Doyle (1998) suggest the integration of individual motivation systems. In many situations, the motivation issue transcends personal, one-to-one recognition. Cespedes (1988), suggests taking into account several factors affecting the motivation, such as: *the individual sales person's characteristics*, including knowledge, skills and attitudes; the *salesperson's territory or account characteristics*, which define opportunity available to the sales person (as, for instance, working harder and smarter might not turn into the better results, because of other factors, such as firm's product policy, pricing, or competitive situation, or even if effort leads to better results they might not necessarily be acknowledged by the firm's compensation and recognition systems); perceived value of additional rewards.

In addition, Shapiro, Slywotzky and Doyle (1998) claim that sales task clarity is essential because a clear sales task is the most powerful motivator for a sales person. It also becomes easier to design the feedback and incentive compensation systems, and accoutrements, like contests.

2.4 THEORETICAL FINDINGS IN REGARD TO CONSULTANT VIEW AND PREVIOUS RESEARCH

The changes in business environment require a new view on sales management functions. Sales functions evolved from "a tactic to a strategic boardroom issue" (Shapiro, Slywotzky and Doyle, 1998, p.16), meaning that recent sales management trends lead companies to focus their effort on customer relationship management in order to gain long term business success. The financial performance of the sales force in the long run is driven by sales force quality, which means that ability to maintain the relationship with existing customers is gaining the same importance as getting a new ones.

From the theoretical perspective, because of the above mentioned influences, design of clear sales task gains more importance. The customer, the competitor, and company information enables to define clear sales task for each product and segment. The clear sales task then provides the foundation for designing organizational architecture, competency creation, performance measurement and motivation of sales people/ sales force systems. Nevertheless, an important not to forget that the essential element is still managing the customer relationship in order to maintain customer loyalty.

However, as in theory, practitioners might have different views on what are the most important parts in sales management. For instance, professionals in sales process consulting emphasize the importance of designing the right sales process, which could be seen as a foundation for all other sales management activities (Kreindler, 2000). The survey results of missed sales opportunities show that 80% the reasons for failure was mistakes in the sales process. Hence, from this perspective, the most important activity of sales management would be to develop the ideal sales process and to ensure the successful implementation.

Another issue that changes the view towards the sales management is technology**.** By automating marketing, sales, and contact-management activities into one enterprise-wide system, companies can manage, track, and report on all aspects of the sales-and-marketing process (Record, 1999, p. 4). That way, all divisions are working together to solve customer issues and information is managed in a central, consistent environment, which enables every employee to assist a customer at any time.

Customer relationship management (CRM) applications automate an organization's customer facing business processes: sales, marketing, and customer service. Sales software or sales force automation (SFA) software, as a part of CRM, is designed to manage sales functions. The difference between CRM and Sales Force Automation (SFA) is that SFA is focused on automating and supporting internal processes, where the customer is left out. High-end SFA solutions provide for lead tracking , account/ contact management, list management, opportunity management, telemarketing and telesales scripting, team selling, territory management, sales history, and various sales analysis and tools. Low-end SFA solutions provide simple contact management, sales configuration tools and partner relationship management (PRM) applications. The sales automation application market grew briskly at a 54% pace in 1999 to $1.3 billion, up from $868.9% million in 1998 (CRM market forecast and analysis, 1999).

3 EMPIRICAL STUDY

The third part of this thesis aims to present the results of the empirical study. The results themselves are analyzed in Chapter 4. The content of this chapter is based on the interviews with SAP employees and on other sources of information at SAP, such as internal documentation, Intranet, presentations and etc.
This chapter presents the case company SAP AG, and illustrates the main features of SAP's CRM solutions. It provides a brief overview of SAP software architecture and of user roles in sales management. SAP defines certain roles in sales management followed by the job descriptions and responsibilities attached to these roles. These are used to help to identify specific functions to be accomplished by the role, following which software solutions are then designed to support these functions. The empirical findings are presented within the framework of sales management which was developed through the theoretical part of this study.

3.1 SAP AG PROFILE

The history of SAP began in 1972. SAP was founded by five former IBM system engineers and is nowadays one of the leading providers of business software solutions that integrate the processes within and among enterprises and business communities. SAP software is deployed at more than 22,000 business installations in more than 100 countries and is currently used by companies of all sizes, including more than half of the world's 500 top companies. The corporate headquarters of SAP AG are in Walldorf, Germany.

The products play a major part in the success story of SAP. At the time, when SAP emerged into the market with its first product RF (Real-time Finance), batch processing dominated the data processing world. Due to new technologies and developments, SAP launched the Client/Server System R/3 in 1992.

In 1997, new solutions for Customer Relationship Management, Supply Chain Management and Business Intelligence were launched.

In the year 1999, SAP delivered on its EnjoySAP™ initiative to make SAP software easier to learn, tailor and use. 1999 was also the year of the foundation of mySAP.com™. It enables companies of all sizes and industries to fully engage their employees, customers and partners in order to capitalize upon the new Internet economy.

In May 2000, SAP launched a new release of "CRM with mySAP.com" and formed a strategic alliance with Nortel Networks to develop and integrate industry-specific customer interaction solutions that will extend the scope of collaborative CRM.

3.1.1 Features of mySAP CRM Solution

The mySAP.com solution includes 10 cross-industry solutions, and one of them is mySAP Customer Relationship Management (mySAP CRM):

- mySAP Workplace
- mySAP Customer Relationship Management (mySAP CRM)
- mySAP Supply Chain Management (mySAP SCM)
- mySAP Marketplace
- mySAP E-Procurement
- mySAP Business Intelligence (mySAP BI)
- mySAP Product Lifecycle Management (mySAP PLM)
- mySAP Human Resources (mySAP HR)
- mySAP Financials
- mySAP Mobile Business

At the heart of the SAP collaborative business strategy is mySAP Workplace. It is a role-based enterprise portal through which all internal and external users can get personalized access to a number of different types of information, applications, and services in order to participate in business processes.

There are three different types of portals:

- **Role-based consumer portal**. A Web-based merchant solution allows consumers to order products or services, report service problems, configure, price, check availability and delivery dates of products and services, and check status.
- **Role-based business partner portal**. Allows business partners to collaborate with the company.
- **Role-based employee portal**. Workplace for the employee to have access to all information and transactions that he needs for his daily work.

mySAP CRM provides companies with customer-centric solutions for planning, building, and maintaining profitable customer relationships. With mySAP CRM, all groups dealing with customers have access to the customer information and market knowledge required to interpret customer needs and design future business. mySAP CRM facilitates companies to drive closed-loop customer interactions through all phases of the relationship lifecycle – engage, transact, fulfill, and service. All relevant channels – mobile, telephony, and Internet are supported. mySAP CRM further enables companies to drive their customer relationships in all CRM business dimensions, whether operational CRM, analytical CRM, or collaborative CRM.

- Operational CRM – Facilitates empowerment and personalization through role-based relationship management workplaces; enables seamless real-time integration of front-office interaction and back-office fulfillment; synchronize customer interactions across all channels
- Analytical CRM – Supports discovery and understanding of customer behaviors; enables improvement and optimization of operational processes to drive customer retention and acquisition
- Collaborative CRM – Combines new ways of interacting with customers to create additional value within the ecosystem; facilitates participation within a marketplace of community of customers and business partners.

3.1.2 Core CRM Functionality

SAP defines three main steps which are needed on the way to customer centricity and provides functionality available to support each of these steps:
-Synchronized touch points to provide convenient access,
-Relationship intelligence to ensure synchronized interaction,
-Closed loop personalization and collaboration to proactively drive customer value.

The following business scenarios are in the group of business scenarios offered by SAP. Some of these scenarios are already available now, other will be fully available in future coming releases:

Marketing Analysis. Advanced analysis tools to leverage internal and external sources for effective campaigns.

Tiered Servicing. Differentiated service offerings along customer value and preferences.

Customer Development. Driving customer value with close loop, dynamic cross and up-selling capabilities.

Telemarketing. Outbound agent workbench to upgrade existing call centers with outbound marketing capabilities.

Internet Marketing. Targeted, event-driven push of marketing messages over the Internet, featuring cross-selling opportunities by seamless integration with Internet sales.

Internet Customer Self Service. Unassisted service delivery over the Internet with advanced decision support, data capture and personalization techniques.

Field Sales. Complete automation of field sales functions with seamless integration to product administration.

Internet Sales. Fully automated Internet sales channel, seamlessly integrated with product administration.

Product and Brand Management. Complete campaign management functionality, from development to effectiveness tracking, synchronized overall touch-points.

Service Center. Effective dispatching and scheduling of service activities based on agent workbench.

Telesales. Agent workbench and call management to transform call center with outbound marketing capabilities.

Service Interaction Center. Stand-alone call center, seamlessly integrated with product administration systems for state-of-the-art service offering

Business Partner collaboration. Linking business processes over the Internet, e.g., collaborative planning.

Retention Management. Proactive retention campaigns with effectiveness measurement and continuous refining of profiling.

Sales Management and Support. Consolidated view and related management functionality to grow sales capabilities over time.

Field Service. Planning, forecasting, dispatching as well as repair and maintenance functionality to automate field service force.

mySAP CRM offerings build on distinct forms of integration, including the following:

- Integrating CRM with e-commerce.
- Integrating across all customer touch points
- Integrating the front office and back office.
- Integrating unstructured and structured information and processes.
- Integrating suppliers and customers.
- Integrating heterogeneous internal and external systems.

3.1.3 Roles in Sales Management

For different portals within the workplace described previously, CRM delivers several roles. Within sales management at the moment there are the 5 following roles available:

- **Sales Manager** - responsible for leading and organizing sales, and is responsible for the sales employees. The tasks include operative and strategic planning of the sales goals, and the conversion of these in accordance with the enterprise strategy. He uses reports to analyze and control the sales activities of his employees, and to observe the business processes. His tasks include budget planning and budget responsibility.

- **Sales Representative** - responsible for selling products or services. His tasks include executing customer projects, customer support and business development for new customers. He covers numerous sales processes for his customer area, up to the conclusion of a contract. He uses reports to plan his sales activities and analyze their success.

- **Customer service manager** - responsible for managing and organizing the customer service in Sales. He is responsible for the employees in the customer service. His tasks include insuring customer service and customer satisfaction for all sales processes (also via Internet Sales and Telesales), including delivery and shipment.

- **Customer Service Representative** - responsible for answering customer inquiries and complaints related to sales processing. He assists and advises his own customer area, and is responsible for optimal processing of the sales process as far as delivery and shipment. His aim is to raise customer satisfaction.

- **Billing clerk** - moderates the entire procedure for billing document processing, that is, the processing of invoices, credit memos, debit memos and cancellation documents. He is responsible for insuring that the invoices are correct and complete.

This is basically the starting point of role definition and there might be modifications as there are projects going on where role definition is investigated. For instance, some of the missing roles which are planned for future builds are **key account manager** and **vice president** of sales.

There will be new elements and business scenarios added to CRM, however the concept of workplace will remain stable. The workplace itself is going to change: every new stage will allow to link more information and to put more content into the field sales workplace. Apart from functionality and business roles and processes, the key contribution of SAP CRM will be front-end/back-end integration.

3.2 HOW DOES SAP CRM SOFTWARE SUPPORT DIFFERENT PARTS OF SALES MANAGEMENT ?

Figure 7 illustrates the main *building blocks of sales management* which are defined from theory overview and integrated in management cycle. The three main stages of management cycle, illustrated in the figure as the blocks of planning, action and control. The blocks are filled with sales related activities to be performed in different stages of the cycle.

From the theoretical perspective, the sequence of the elements in the management cycle would be as shown in the figure. However, in practice, depending on the industry, specific elements of sales management might have more or less emphasis. During different stages of the cycle there might be interconnections, influences or information exchange between other building blocks. These aspects are important to be considered when designing the software support for sales management. This sales management cycle illustrated in the Figure 7 will be used further as a framework to present results of empirical study, as well as for analysis in Chapter 4.

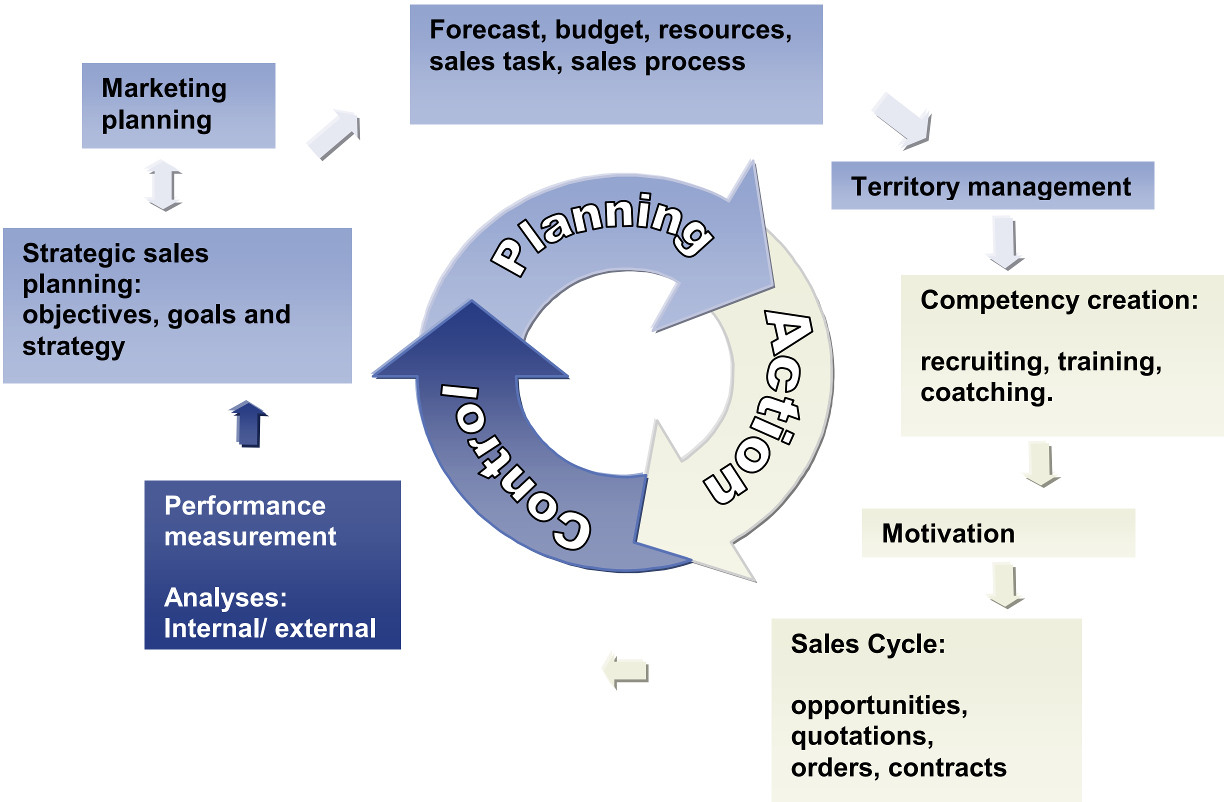

Figure 7. Sales Management Building Blocks in the Management Cycle. Own construction.

3.2.1 SAP software architecture

The CRM system, at the moment can function as a stand-alone system. However, some parts of sales management such as planning, reporting, are not part of CRM, but are other SAP components. Hence, in most of the cases, SAP provides the customers with solutions that integrate several of the following systems: BW (Business Information Warehouse), CRM (Customer Relationship Management), SEM (Strategic Enterprise Management), APO (advanced planner and optimizer), R/3. Industry and business profile of a customer usually determines customization of every solution. Figure 8 gives a general view of SAP software architecture.

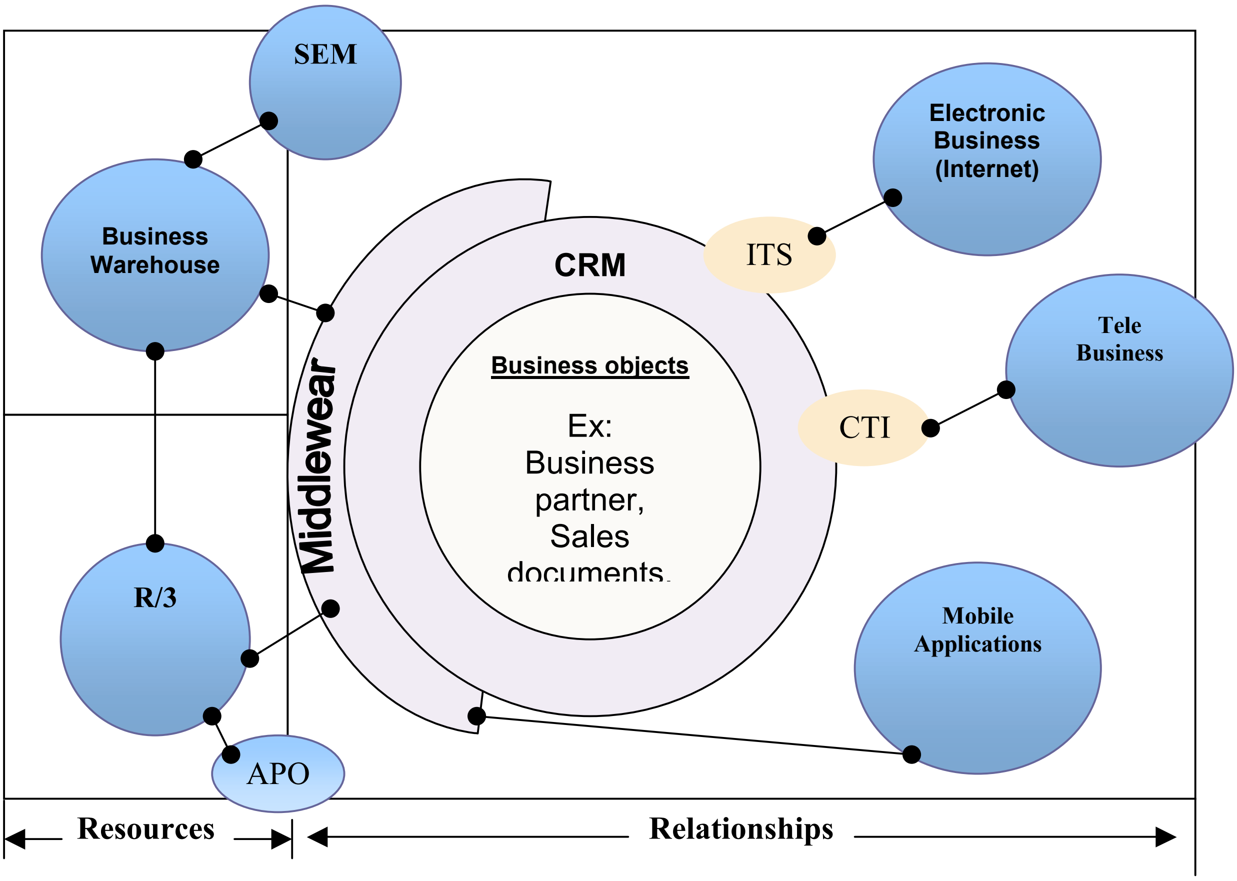

Figure 8. SAP software architecture. (SAP AG, 2000), modified.

3.2.1.1 Planning

Planning functionality in SAP is mainly supported by SAP **Strategic Enterprise Management TM** (SEM) planning components. SEM enables organizations to implement different planning processes, such as business planning and simulation, performance management and stakeholder communication, based on the Balanced Scorecard (BSC) concept. BSC clearly defines the meaning of strategic concepts like value, quality, customer satisfaction, and growth. Once a scorecard that accurately describes the strategy has been developed, it serves as the organizing framework for the management system. The Balanced Scorecard complements financial measures with measures of the drivers of future performance. Using BSC, managers can measure how their business units create value for current and future customers, investors and other stakeholders and how they must enhance internal capabilities and the investment in people, systems, and procedures necessary to improve future performance. In SAP, SEM planning component, using BSC managers transfer the strategy into objectives and then accordingly into to the key performance indicators-measures which can be used further on sales department, group or personal level. This means the sequence of planning is to first develop strategies, then decide what are the goals and objectives for department, group or individual, and, finally, set key performance indicators which would drive the sales force to certain targets.

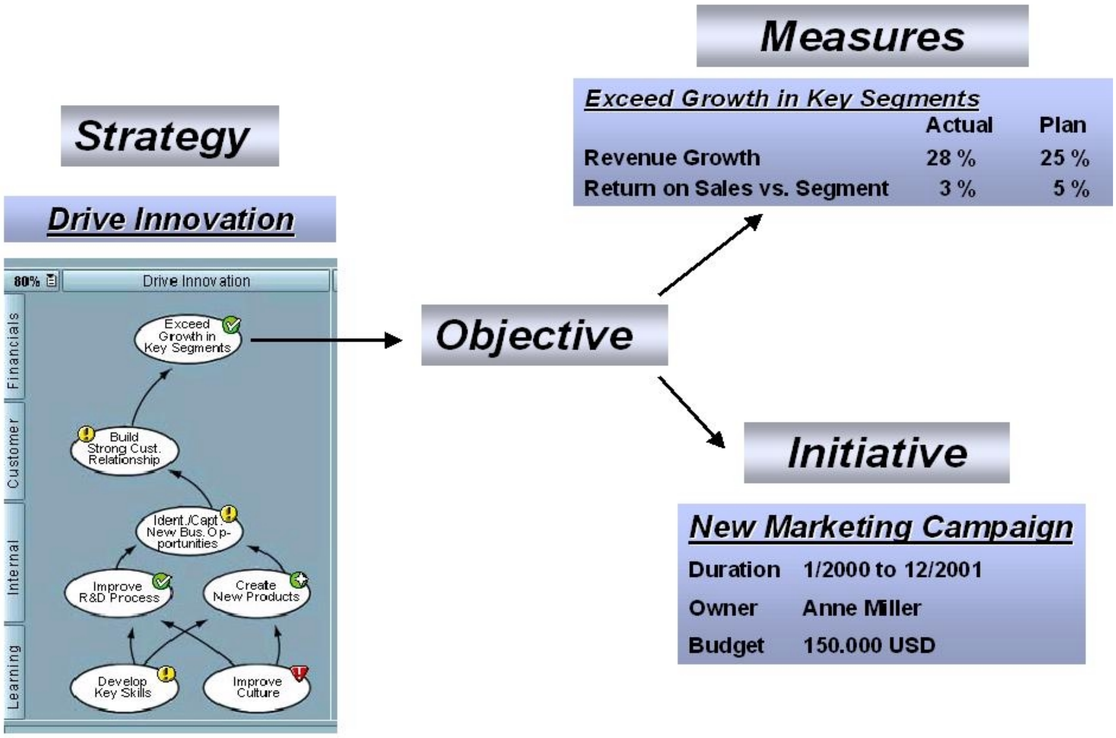

Figure 9. Objectives as central component of the Balanced Scorecard (SAP AG, 2000)

SAP provides planning and forecasting software components in CO-PA systems. **Forecast Management** component allows to visualize current situation and supports decision process. **Budget (resource planning**) is included in **Sales and profit planning** (CO-PA) component.

3.2.1.2 MARKETING

Marketing and campaign management component in CRM provides a wide range of marketing tools and functions designed to support organization in all aspects and at all levels of marketing, from planning a high-level marketing campaign, through to complex market analysis functions, the creation of target groups, cross-selling, and personalized product recommendations. Marketing consists of the following sub-components:

Marketing and Campaign Planning: Marketing Analysis, Rough Planning, Customer Segmentation and target group , Detailed Planning (Marketing planning structure (e.g. long-term planning, campaign hierarchy, activities), Scheduling Milestones, Budget, revenue planning, Monitoring).

Campaign Execution: (via interaction channels) Face to face, Tele Marketing / Sales, Internet Marketing / Sales (Basic and very simple target group selection in CRM, Complex target group selection in BW, High sophisticated target group selection with third party tools - open interface Use of Datamining for target group selection).

Campaign Analysis: Success Measurement (Planning / Targeting: Marketing Analysis, Market potential analysis, Portfolio Analysis, Competitor Analysis, Sales Analysis, Target Group Modeling, Planned Costs / Revenues. Execution: Monitoring, Key Performance Indicators, Actual Costs / Revenues, Alerts / Thresholds. Analysis: Success Measurement, Lead generation, Response rate, Cost benefit, Channel Efficiency.

3.2.1.3 TERRITORY MANAGEMENT

R/3 **Territory management** component provides the possibility of appointing territories by regions, products and customers, or appointing parts of the organization to specific territories. However, based on complex definition of territory management, with future CRM releases SAP will deliver not only possibility of territory assignment but as well territory planning and the possibility to execute territory realignment process. There will be the possibility of combining territory management processes with data distribution, reporting and analysis elements.

3.2.1.4 COMPETENCY CREATION AND MOTIVATION

mySAP Human Resources (HR) component provides standard language, currency, regulatory, payroll, benefits, and time-management capabilities. It enables collaboration and shared decision-making between employees and HR managers.
The component supports integration with comprehensive analysis tools (ex. employee level of motivation analysis) and provide HR managers with a complete picture of their company, their extended virtual teams, and the global market conditions in which they operate.
The component incorporates Master data which includes following information about employees: responsibilities, skills, tasks, structure. This information can be further used for call routing and workflow.

The component included following scenarios:

Job Exchange (HireSystems)- enables customers to automate the recruitment process by integrating functions such as posting job openings to internet job boards, applicant tracking, and organizational management including reporting.

Salary Survey Participation - Internet-based participation in the Hay Online Salary benchmark service which allows to easily extract data in order to participate in salary surveys

Salary Survey Analysis - enables participation in the Hay Online Salary benchmark service to extract, compare and analyze internal compensation data with market data.

Job Opportunities - Internet-based administration of job opportunities which allows potential candidates to directly apply for open positions.

3.2.1.5 SALES CYCLE MANAGEMENT

The Sales Cycle, as SAP defines it, is a period between recognizing an opportunity and completing it with sales order or rejection. A sales cycle consists of several phases which follow each other in a sequence of time. Phases are periods of time in the sales cycle which are linked to specific sales activities, for instance first contact, presentation, quotation phase, contractual negotiation.

To support activities of the sales cycle management SAP developed following software components: Opportunity Management, Activity Management, Quotations and Order Management.
Opportunity Management component in CRM allows sales to actively manage the progress of opportunities through entire sales cycle, hence enabling to control the sales process.

An opportunity, as SAP defines it, is a recognized sales possibility for an enterprise; for example, for sales of products or service. An opportunity describes:

-the customers (sales prospects).
-the requested products and services of the customer.
-the potential sales volume.
-an estimated sales probability.

Opportunity Management component provides the framework for presenting sales projects from the very start, and tracking their progress. In this way, it provides the basis for an analysis and optimization of an enterprise. At the moment, it is possible to customize 2 kinds of sales cycles:

- longstanding customer transaction,
- new customer transaction.

The component as well provides an information for reporting which is executed in BW:

-Opportunity Pipeline,
-Expected sales volume (by date, phase, sales rep., region, etc.),
-Win/Loss-Ratio (by status reason, sales rep., region, etc),
-Forecast Reliability (probability, closing date)

Opportunity management component is recommended to be used, in particularly, if a large amount of sales employees are being used, large sales order values are distributed or the sales cycles run over a long time period.

Order Management component in CRM allows the user to create and track sales transactions, as well as quickly edit and personalize them to exactly match the specific needs of customers. Sales transactions/ documents can be placed in the system in different ways: from the Internet, call centers, entered by sales representative and so on.

It is possible to create different type of transactions: quotations, inquiries, sales orders, contracts, etc.
The component includes a lot of different functionality, such as creating and following up documents, reference to other orders, one-order concept, meaning that it is possible to combine order and quotations, inquiries, opportunities and etc. in one document. For instance, a quotation can become a sales order in two different ways: when changing an entered quotation to a sales order, then quotation does not remain as a separate document; or a sales order can be created with reference to a quotation. In this case the quotation remains as a document.

A lot of things are done in the background of the system, such as partner determination, organizational data determination, pricing, availability check and etc.

Activity Management plays an essential role in optimizing a company's relationships with customers and managing their data. Activity Management is a tool in CRM to plan, document, track business activities and tasks; such as, visits, calls, mails short activities, seminars and other events. Includes activity creation (manual), task lists and many functions integrated from Microsoft Outlook.

Activity Management administers all the activities undertaken by the company employees. Any data saved in an activity is an important source of information that needs to be accessed by all relevant employees. It also answers day-to-day questions, such as what appointments sales person has next week, when can a visit to specific customer can be arranged, who could cover for a sick colleague in external sales and so on. An external sales representative can view the outcome of a telephone call made after an initial customer visit, and the sales manager quickly and easily gains an overview of all the activities that have taken place in the department during a certain period of time.

Activity Management can be used at any time during the CRM life cycle. The business activities keep a record of any interaction that has taken place between a company and its customers. An business activity is a document used to record information resulting from interaction between business partners, undertaken at any time during the customer relationship life cycle. The task can be used when creating an activity that is not linked to a business partner. Tasks can be either public or private and cover a range of possibilities, such as preparing a presentation for a customer or a reminder to buy a birthday card for a friend. The tasks provide a way for employees to manage their own workload as well as keep track of any private appointments or reminders they may have.

3.2.1.6 MASTER DATA

Master data contains different information about accounts and business partners and can be taken, displayed and used when working with other components, for example when creating and order, information about customer is taken automatically from Business partner. Master data contains the following components (in CRM and R/3):

Business Partner - provides the management of direct and indirect Business Partner Information; ex. customers, prospects, distributors, competitors or partners. This includes contact persons and the relation of business partner, like hierarchies or contact persons related to customers.

Sales Cockpit - is a tool to support all processes related to Business Partner, by accessing all information and triggering, starting all transactions, workflow, activities.

Products/services - Accommodates all sales force and service relevant product and service information in an electronic form.

Conditions - can be a part of the **Business Partner** or **Products/service** and accommodates all kind of legal or business agreements with customers or business partners. The conditions can be: pricing, rebates, discounts and etc.

Master data component contains authorization system, which, depending on the defined user's role, allows one to enter or change information. For example sales rep can change customer contact information, but is not allowed to define territories.

3.2.1.7 PERFORMANCE MEASUREMENT

The following component is available in BW and partially supports performance analysis and the reporting function:

The Reporting and Analysis component enables the creation and viewing of industry standard and customized reports across all components online and offline. This component provides an up-to-date reporting ability. Sales pipeline tracking possibility provides several analyses and reports from sales pipeline. It also provides forecasting information from opportunity management component: expected sales and prospect budget for the project information.

The Table 3 summarizes empirical investigations showing software systems and components that support different parts of sales management, reflecting the situation as for the time when the study was held.

Building blocks of sales Management	Software systems	Name of components
Sales planning	SEM, CO-PA	Sales and Profit planning, Forecast Management
Marketing planning	CRM	Marketing and Campaign Management
Territory management	R/3	Territory Management
Competency creation and motivation	HR	mySAP Human Resources
Sales cycle management	CRM	Opportunity Management Activity Management Order Management
Performance measurement	BW	Reporting and Analysis

Table 3. Software components that are used to support different building blocks of sales management.

4 EVALUATION

When describing the sales management framework from a theoretical perspective, I tried to incorporate and define all main sales management building blocks. The empirical study showed that SAP, when designing software support for sales management, focused on customer and its specific needs. Hence, sales management software components are developed in order to support specific sales management elements. This can be explained because depending on industry, business profile, company size and other criteria, different organizations execute and need support for different processes.

The empirical study shows that SAP can provide software support for major building blocks of sales management. However, as already mentioned in the third chapter, this is done by CRM and a combination of other software components. It is important to point out that even if there are many different systems involved, the user does not have to work with all of them, because the complexity is solved through a specific role-based workplace (as described earlier) through which all the systems can be reached.

The theoretical sales management framework was developed based on traditional management elements and the integration of the management cycle into sales related activities. The assumption that it is possible to integrate the management cycle into each separate building block of sales management and that it might help to identify more specific parts of processes and interrelations between different parts of sales management will be tested in this chapter for performance measurement and territory management parts.

4.1 LINK BETWEEN SALES MANAGEMENT THEORY AND FEATURES OF SAP SOFTWARE

In this chapter the empirical findings at SAP are discussed, analyzed and compared with sales management theories. This chapter is organized in the *same way and with similar headlines as the theory chapter to allow the reader to follow the argumentation. In several parts of this chapter, issues that are closely related, sometimes appear more than once, but from different perspectives.*

4.1.1 Planning in sales management

Starting with sales planning, the theory emphasized the importance of four major types of planning typically found in sales management: strategic planning, marketing planning, sales planning (operational) and territory planning. All mentioned types of planning, except territory planning (this will be discussed in more detail later), are supported by SAP software. Implementation of *strategic planning* is enabled in SEM through the Balanced Scorecard approach, where different concepts, such as customer satisfaction, growth and value can be defined. BSC also supports performance measurement where the same measures allows to see if the goals and objectives were achieved. It is important to pinpoint that BSC model as such is not guiding the company into the future rather than monitoring present operations and strategy implementation, set by the executive level. It is operating within a predetermined framework, and in that sense, the BSC is static and not suitable for flexible strategy approaches (Bengtsson and Jung, 1999).

During interviews with sales planning software development experts at SAP it was also mentioned that very often in the organization initial planning starts from sales planning and accordingly organizational goals, objectives and strategies are set. This contradicts management cycle theory, where the sequence of planning was suggested to start from first setting the objectives and goals of corporation. However, on the other hand, it supports the idea of Shapiro, Slywotzky and Doyle (1998), who argue that due to today's sales management trends and new purpose of sales force planning should begin not at headquarters but rather at customer interface.

Planning of budgets and forecasts, what in theory is described as operational planning, is supported by several SAP components of CO-PA. Bottom-up planning possibility supports communication of the budgets; sales budget (sales quantity, products); production budget (material, procurement, direct labor, production, process costs); selling and administrative expenses; profit plan (products, customer group, distribution channels). The typical phases of the planning includes planning of target values, then breaking them down, and transferring the plan data to production planning.

To summarize, SAP delivers tools which cover all kinds of different planning possibilities, however, the critical issue is that, at the moment, these tools are rather complicated to be customized and used by the customer. In order to enable easy customer implementation, SAP is planning to deliver content and planning templates using mySAP SEM in conjunction with mySAP CRM.

4.1.1.1 MARKETING PLANNING

Marketing planning is supported by the CRM component and covers all main marketing planning, execution and analysis parts. The important issue, however, is the link between marketing and sales organizations and integration of this link into the software. According to the theory, because of the increased focus on the customer, organizations must make joint decisions concerning products, prices, brand and all kinds of support.

As showed in the Figure 10, control and analysis of marketing activities provides information for sales planning and forecasting. However, marketing planning, based on theory, should be influenced by strategic sales planning elements, such as objectives, goals and different strategies (accounting targeting strategy, relationship strategy, selling and sales channels strategy). Campaign analysis provides information for sales revenue planning, sales forecasting and sales force planning.

Today SAP software does not support the links between sales management and marketing activities, as well as the one described in Figure 10. One of the release components planned for the future that will support the link is **Lead Management.** Using this component, marketing specialists based on available information sources will be able to identify the importance of different leads, defining them as "cold" or "hot" leads. Leads defined as "hot" will be transferred by the system into opportunities and passed to sales, where the sales person will be able to accept or reject the opportunity.

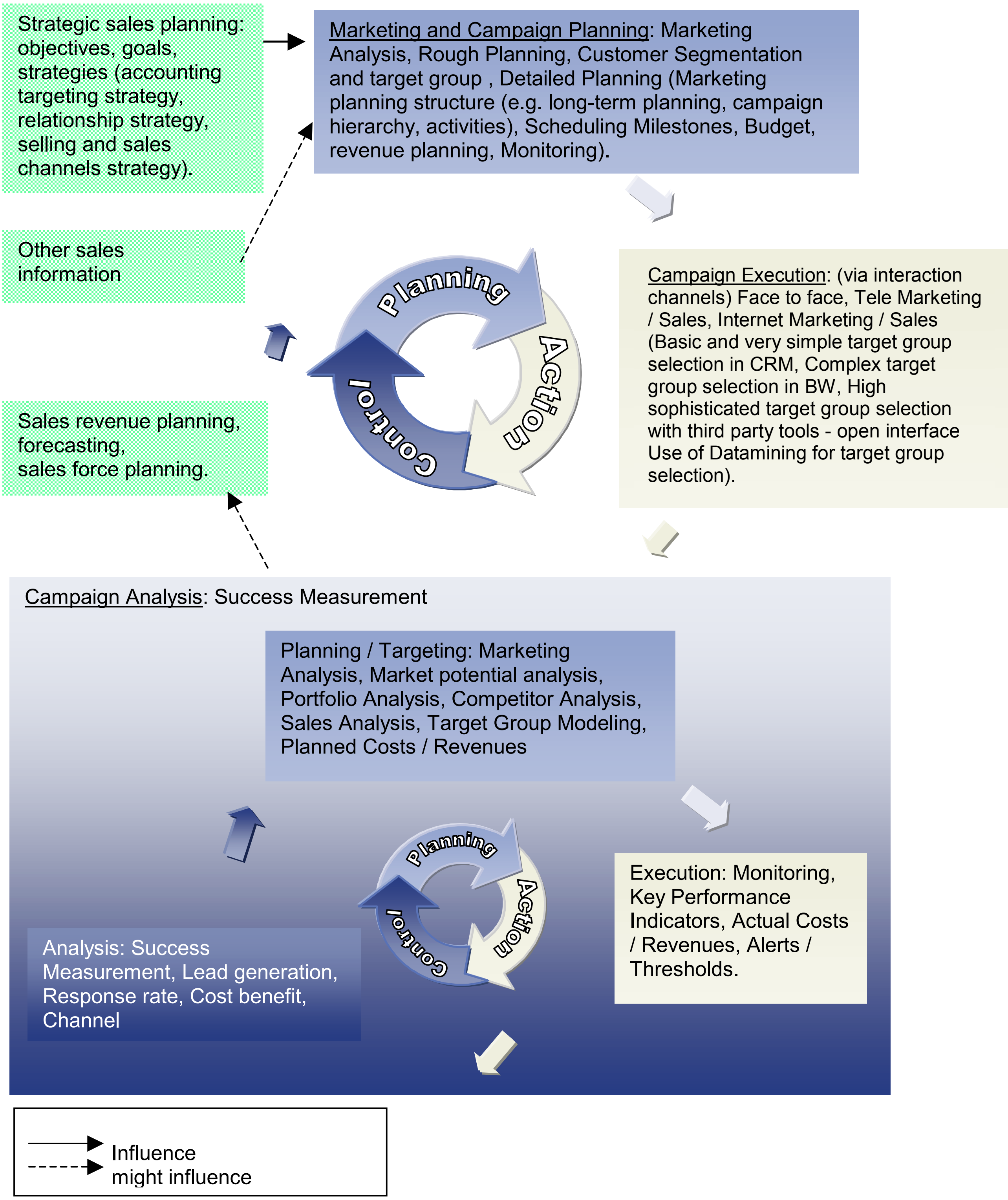

Figure 10. Marketing and campaign management in management cycle. Own construction.

Marketing and strategic sales planning components partly support *the design of sales task* by defining which accounts, products and services have to be approached (product mix and market-target mix). According to theory, the other two important determinants of the sales task are definition of the activities which have to be accomplished by the sales force and key interactions with other parts of the company. Key interactions between different parts might differ from company to company, depending on various factors, such as business type, size and etc. Sometimes these differences might be solved by customizing parts of the software. However the experience of SAP shows that customization can be rather complicated and as well might influence the usability of software for the customer.

Due to intensified competition, fast changes in the market environment and customer needs, the *definition of the activities to be accomplished by the sales force* might be highly unstable issue, hence hard to be supported by software. One of the possible solutions, which is already foreseen as the future direction of SAP, is to design the tool called **"Sales Assistant"**. The Assistant would help in representing the tasks and activities defined within the framework of the **Sales Methodology** of the enterprise, thus ensuring that the sales process of the company is executed in optimal manner by the members of the sales team in the company and helping in attaining the sales target. Such a tool would support the operational sales planning, and also would support *sales cycle management* by providing reminders and check lists of activities to be done in each step of sales cycle. Hence, it would also serve as a *sales force coach* tool for the sales process. It also would support customization process as Sales Methodology would be created and aimed at specific company.

4.1.2 Sales cycle management

Sales cycle management is supported by several different components of CRM. The possibility to combine these components allows to satisfy specific needs of different customers. For instance, Opportunity Management is recommended and might be used with more benefit in industries with long sales cycles or big sales organizations with many sales reps.

The sales cycle theory emphasizes the importance of a lead qualification, meaning that at certain point of the sales cycle it is very important to identify profitable leads. This evaluation of lead profitability is not available yet, however is planned to be supported by software solution, called Opportunity Assessment in future releases. Through the questions to be answered in Assessment, a sales person will be able to qualify the projects and decide whether he/she should proceed or not with the opportunity. Lead Management component will provide an information from marketing side concerning lead profitability, and other factors, additionally supporting identification of importance level of each opportunity. In addition it would help to partly support the link between marketing and sales, earlier emphasized by theories.
The following steps of the sales cycle: contact initiation with sales prospect, study of needs, proposing solution, are supported by CRM software components listed in empirical study.

An important function of software is to collect information obtained during the sales cycle and to use it for reporting, analysis and planning of other sales management processes. Within the next release, SAP software will support tracking the quota performance for the turn-over targets, per sales team or account manager. Also, it will provide the information about conversion rate measures, forecast reliability. The important issue, however, is to link this information, and, based on it, influence other building blocks of sales management. For instance, won/lost/stopped opportunity analysis, which is already available at the moment, could trigger specific processes within incentive and commission systems (motivation of the sales force). The conversion rate, as already identified by SAP, is very useful for planning and controlling the efforts or expenses and the sales resources. Opportunity management and motivation systems are not linked in SAP software yet.

4.1.3 Territory management

Territory management, according to theory is defined as managing a sales area by sales representatives who are allocated there (Alessandra, Cathcart, Monoky, 1990). In regards to theory, SAP has an enhanced view on territory management and defines territory management as planning, structuring and control of the sales market. This means:

- Dividing the sales market into work units for each individual field sales.
- Assignment of field sales employees to territories.
- Monitoring a structure for efficiency.
- Adapting or reorganizing a structure.

In such a context, territory management means managing a sales area by allocating field sales employees, and aims at:

- Evaluating the performance of each field sales employee.
- Monitoring customer care.
- Enabling a better service to be offered .
- Cutting costs for the external sales force

Existing SAP software supports the division of territories by product, geographical area and customer. However, at the present there are no territory planning , control and realignment possibilities, meaning that there is no software to support territory management in such a way as SAP defines it. This area is a future direction of SAP as to designing the CRM software that supports territory management and execution of territory realignment process.

It is important to point out that the territory management issue has not been discussed widely in the literature found. An enhanced SAP view on territory management derives from careful study of customer needs (such as Xerox GmbH, Nestle, Coca-Cola), hence it represents the recent key highlights and the new approach to the concept of territory management. Argyris & Schon (1991) say that action research has been classified as a way of building a theory, and descriptions within the context of practice itself. Hence, this might be the beginning of defining the new concept of territory management that will evolve within theoretical frames in the future.

As territory management is rather new area, it is also an interesting example to try the integration of management cycle. The Figure 11 below, illustrates different elements of territory management and identifies interfaces with other parts of sales management which could be supported by CRM software.

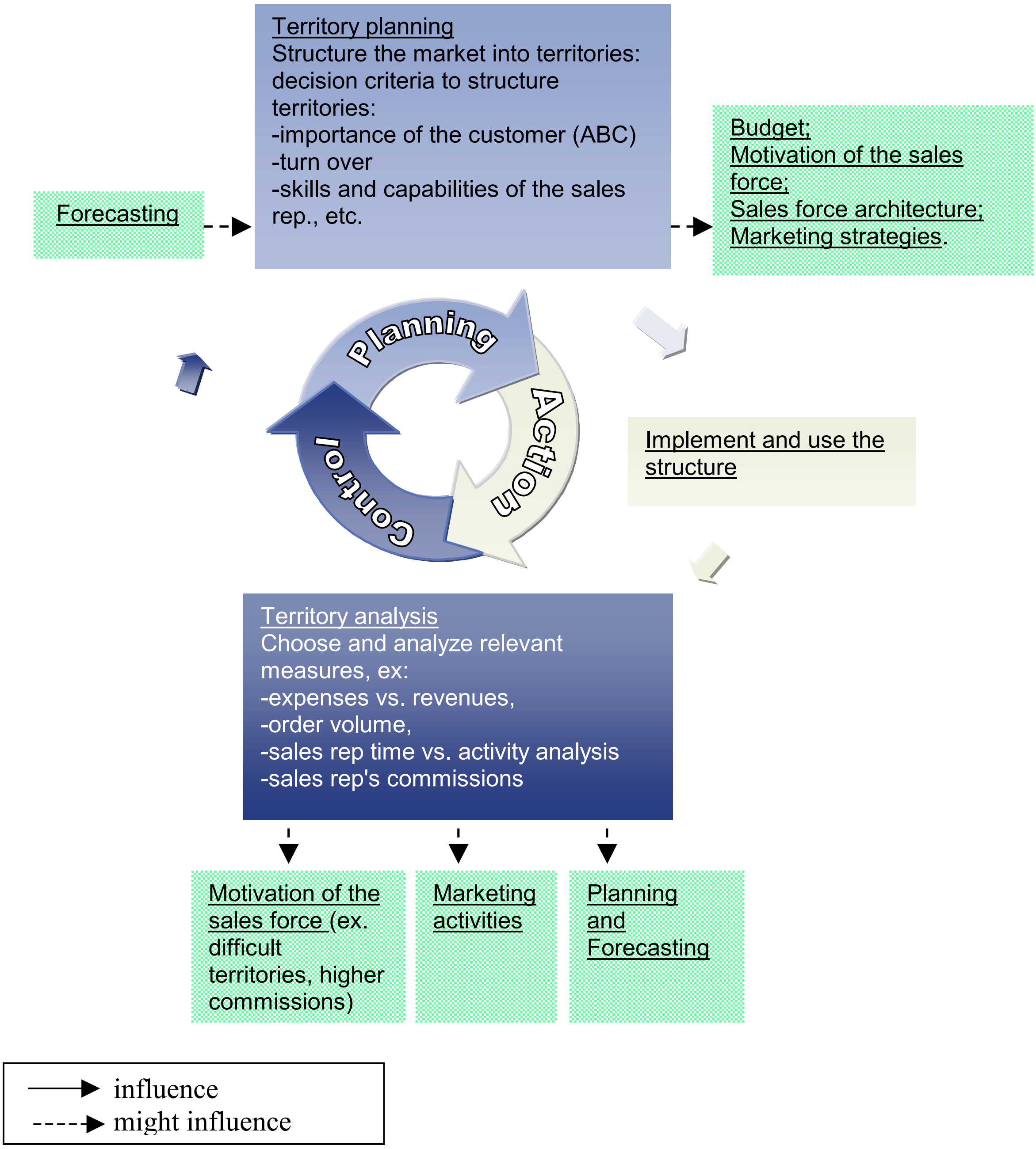

Figure 11. Territory management cycle. Own construction.

4.1.4 Performance measurement

Performance measurement is one of the focus areas for SAP CRM software development. The planned Performance Measurement component for the next release includes a lot of analyses, which are selected based on customer interest and technical implementation possibilities, as for how it is today.

Theory emphasizes the importance of relating the results of performance measurement to sales force motivation systems. Key performance indicators are influenced and set accordingly to company's strategies and goals. The following Figure 12 is elaborated according to ideas presented in theory and performance measurement element is integrated into management cycle, and attempts to show the links which could be supported by CRM software. These links, illustrated in the figure, are not fully supported by software at the moment.

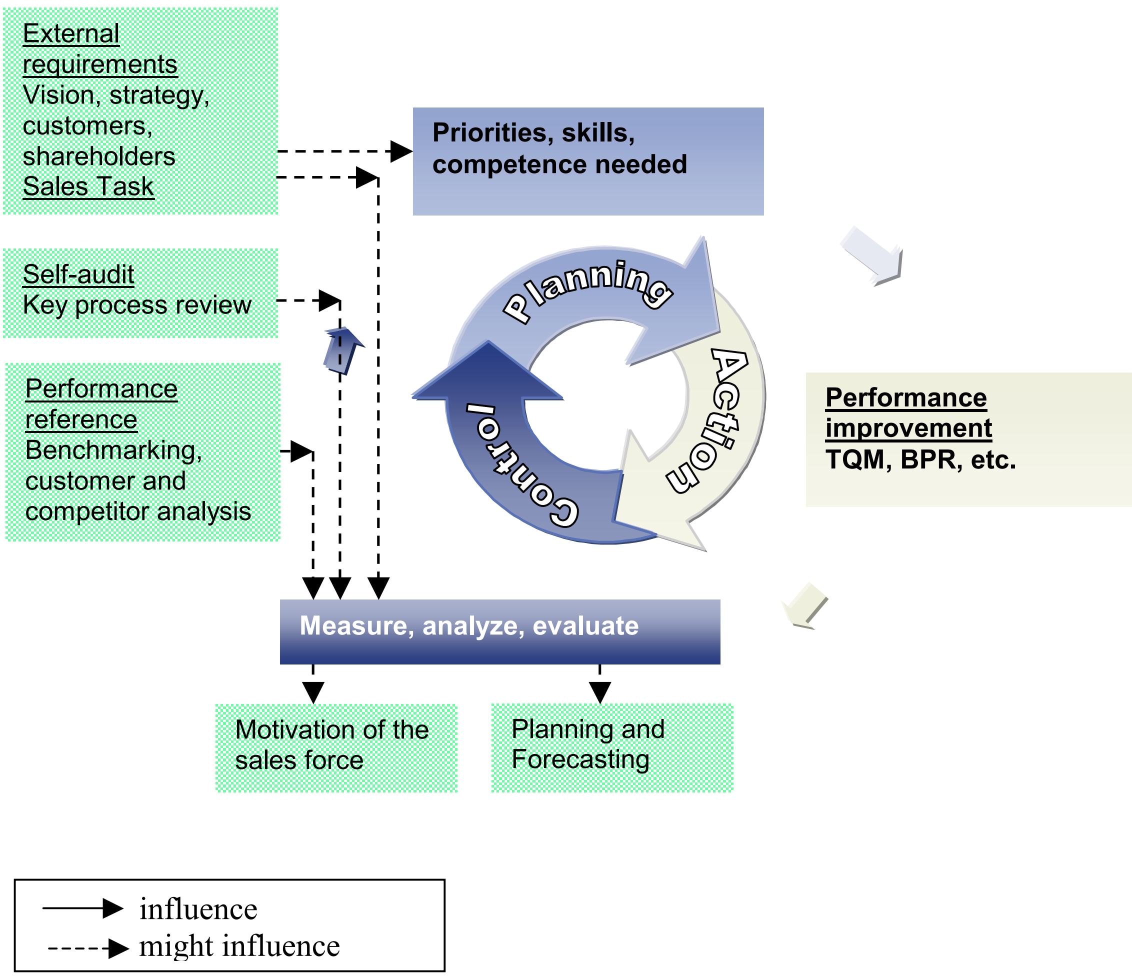

Figure 12. Performance measurement management cycle. Adopted and modified from Williams (1998p.12)

It also important to take into consideration how performance measures are changing from the traditional approach into CRM philosophy. According to Peppers and Rogers (2000), the key element of CRM is a fundamental change in the way we measure success in business. Channel-oriented measures (such as this year's sales vs. last year's) and product-oriented measures (such as how many widgets we sold this month) have been the mainstays of business measurement metrics for centuries. They are quickly giving way, to relationship -- and customer-oriented -- measures, such as *current customer value*, *projected lifetime value* and *potential value*.
Analyses planned for performance measurement in the next SAP CRM releases (listed in the next chapter "Outlook"), focus more on traditional performance measures, rather than CRM related ones. It incorporates customer life-time value analysis, which could be referred to what Pepper and Rogers (2000) call project life-time value, one of the suggested CRM related analyses.

4.1.5 Competency creation

Finally, the human resource aspects of recruiting, training, coaching and motivating of the sales force are perhaps the most sensitive issues which could be seen as hard to be supported by technology.

The theory highlights the importance of having the right people in sales and emphasized that sales managers, more than managers in other areas, have to deal with sales force recruiting and competency creation. From my empirical study, I see that mostly the administration part of these processes can be supported by software. For instance, the process of recruiting is supported by automatization of job vacancies posting in Internet and applicants tracking. Salary Survey Participation and analysis tools enable managers to compare and analyze internal compensation systems with the market situation.
At the moment, there is no software that supports the training of sales force. This is partly due to the fact that training programs are designed to match specific company's or sales persons needs. However, software could support planning and tracking the history of training. This information could be kept together with other information about particular sales person

(responsibilities, tasks, skills, competence etc.) and used, for instance, when designing sales task.
Coaching of the sales force is an important part of a daily job of a sales manager. The software Sales Assistant, which is planned to be implemented in the next releases, will support sales force coaching through the whole sales cycle.

4.1.6 Motivation

Motivation of the sales force is presented by theory, not only as one of the most important, but also most complex aspects of sales management. It gets even more complex from the perspective of CRM philosophy, where the maintenance of customer relationship is the core value. As mentioned previously, performance measurement systems are the base for sales force motivation. However, since the "level" of the customer relationship is hard to be measured by quantitative measures, the critical challenge for the sales manager is then how to set more sophisticated performance measures which could be used for evaluating the work of sales force and compensate sales people for encouraging and ensuring customer loyalty. As they say, you get what you pay for. However, most sales people are presently compensated in ways that make them indifferent to customer loyalty. Several of the relationship and customer-oriented measures (such as current customer value, projected lifetime value and potential value) have been proposed as an examples for analyses and could be reflected in key performance indicators.

The direction and quantity of effort of the sales person, according to the theory, is influenced a lot, not only by defined sales key performance indicators, but also, by *sales task clarity*. Key performance indicators are set according to sales goals and strategies. BSC, which is a part of SAP planning software component can support the link between sales plans, goals and performance indicators. However, it is important that results of the analysis of performance measurement, which at the moment are planned at SAP for future CRM releases, are linked to salary and incentive payment processes (motivation of the sales force). At the moment, SAP plans the implementation of Commission management component which would support motivation process by calculating commissions to each sales person based on the contract volumes. However, the links highlighted from

theoretical perspective at the moment are not supported by software solution.
In addition, there is no software at the moment that would help to incorporate *individual motivation systems*, emphasized by the theory. This concerns several factors affecting the motivation of sales person, such as: the individual sales person's characteristics, including knowledge, skills and attitudes; salesperson's territory or account characteristics (which define opportunity available to the sales person) and perceived value of additional rewards. For instance, territory management, account master data (information about account) components could be linked to a sales person motivation, by giving him/ her more credit for working with more complex accounts or relating sales persons training history to his/ her sales task.

4.2 OUTLOOK

This additional section summarizes the information on SAP´s vision for the future and on-going improvements for coming releases of CRM sales management software components. The following information was gathered during the empirical study and several ideas may reoccur from the evaluation chapter.

Planning

In the upcoming release CRM 3.0A, the link between sales planning and campaign management will be improved. In addition, sales planning and forecasting information will be linked and will support territory management component.

SAP customer visits showed that several companies would like to have an operational budget function, which would include information about the workforce, direct cost, indirect cost and so on. This function, at the moment, is available in R/3 (CO-PA) and being planned to be integrated better in planning component in the next CRM release.

Marketing

Marketing component will also include MultiWave Campaign Planning, meaning that responses to campaign will generate automatically the planning of new campaigns.
Additionally, interactions and workflow between different workplaces will be improved.

Competency creation and motivation

Implementation of tied integration with CRM :
- Sales commission management
- Short term resource planning (based on opportunities and incoming orders planning of sales force needed)

Sales cycle management:

Opportunity management component

Opportunity management is important in many steps of the sales cycle. There are many functionalities which are planned to be added / improved in the next CRM 3.0C release.

It includes the following:

The **Sales Assistant** - a tool for employees in the sales team, which helps in representing the tasks and activities defined within the framework of the Sales Methodology of the enterprise. This ensures that the sales process of the company is executed in an optimal manner by the members of the sales team in the company, thus helping in attaining the sales target. The goal of this is to provide reminders and check list of activities to be done in each step of sales cycle, hence coach the sales process.

The **Sales Methodology** of the company will define the business alternatives that can be given to a member of the sales team for enabling strategic sales. These business alternatives will be created and made available in the background of the system, so that the sales person is equipped with a checklist which he can process and apply in the context of a concrete opportunity. Of course, this will just be a suggested alternative;

there is no compulsion on the sales person to go strictly in accordance with the suggestions made by the Sales Assistant. On the contrary, the sales person must have every freedom to adapt and modify the Sales Assistant to suit his personal style, and to extend it accordingly. This will increase considerably the acceptability of this tool among the sales persons, because s/he will be able to identify with the Sales Assistant.

The **Activity plan** contains all the activities that a user may want to perform, given a concrete opportunity. The user can work using the suggested activities from the Sales Assistant, or even create additional activities on his own.

Business Know-how:

Competitors. It will be possible to maintain and update further competitor information, such as: the names of the competitors, their strategies, strengths and weaknesses.

Opportunity Assessment. The Opportunity Assessment will be a checklist for qualifying sales projects. It is meant to support the sales persons in the earlier phases, in taking important decisions related to particular Opportunity. Using structured queries, it is intended to prevent continued expenditure of efforts on Opportunities, though the important basic pre-requisites are not met with. In particular, this is meant to serve as a basis for the ‚Go' / ‚No-Go' decision. That is, based on the questions which are to be answered in the Assessment, the sales person should be in a position to decide whether it is worthwhile to invest large resources (which may even turn out to be inestimable) on the given opportunity.
Further, the Assessment can be seen as an auxiliary tool which helps the sales person decide whether to proceed to the next phase or not.

System probability. So far, the sales person could always store the probability of successful completion of the Opportunity in the system. However, this probability merely reflects the subjective opinion (gut feeling) of the sales person. Based on the assessment, however, it is also possible to arrive at a probability as calculated by the system. In all assessments that contain probability values, the probability as calculated by the system should also be displayed, in addition to the "subjective" probability as reckoned by the sales person.

The Buying Center (BC). The Buying center means a sales organization chart containing the role descriptions of all the persons involved with and relevant to the potential customer in the context of a particular sales process (opportunity). **BC-Analysis** will show all the persons involved in a sales process relating to an interested party (persons influencing the purchase) identifying along with their roles, in order to work out an action plan. A role model, which serves as a basis, formulates a set of functions which will be followed or executed in a sales process, and for which persons will be appointed (identification phase, actions in the project qualification phase). The action plan details how these persons are to be contacted, and integrated in positive manner into the sales process (covering phase, CBC).

Reporting requirements:

Quota-Performance. Within the Opportunity Management System it is planned to built in facility for reporting, tracking the quota performance for the turn-over targets. It will be possible to determine the Quota-Performance per employee, per Sales Team or per Account Manager. The reference for this will be the system probability and the expected probability for the currently active Opportunities, the target turn-over based on the successfully completed Opportunities and the turn-over target itself. In addition, it should be possible to compare the Quota-Performance for the current year against the same for the previous year.

Conversion Rate. The conversion rate is a measure of the percentage of Opportunities which move on to the next phase. This is useful for measuring the quality of the Opportunity Qualification. If the conversion rate is 100% for the third phase, followed by a strong decline in the conversion ratio for this phase, it can be concluded that there is no qualification worth mentioning. If the conversion rate in the third phase, however, is low, but is followed by a 100%-percent transfer into the next phase, the qualification can be said to be optimal;- however, only if the qualification is not too narrow and the Opportunities are not ended too soon. The Conversion Rate is very useful for planning and controlling the efforts or expenses and the sales resources. The basis for this will be a phase history, which, however, is not realized at the moment.

Forecast Reliability. The accuracy with which the probabilities (system value/ gut feeling) for the individual opportunities add up to the closing figure is of key significance to the Forecast Reliability. Similarly, the frequency with which the final deadline is extended (slippage) and the average duration of each phase per employee, or the deviation for each employee from the average phase length would also be of interest.

Contract Management

At the moment, with CRM 2.0C release SAP delivers leasing contracts for one particular customer. Value and sales contracts are planned for the next CRM releases.

Activity management component

At the moment, integration between common organizer tools, such as Microsoft Outlook integration, and CRM is not fully supported. Several functionalities are still under the process of implementation. Within the next release, activity management component will be fully integrated with Microsoft Outlook. At the moment, for instance, when an activity (in Activity Management) is created or modified, information is automatically is transmitted to Outlook. Within the next releases, the vise versa possibility will be enabled. In addition, the recurrence of the tasks, full day activity visualization , reminders, and other functions will be available.

Visit report functionality will be more flexible and comfortable to use , ex. scripting tool.

<u>Performance measurement</u>

At the moment, many of the analyses and reports are available. However, because of the CRM as a stand alone concept, for the next CRM release a performance measurement and analysis component in CRM is planned. It will include the following analyses:

1. Turnover/ sales margin.
2. Opportunity pipeline/ pipeline analyses per phase, per region, opportunities (workplace) (already available now).

3. Order analysis (R/3/CRM); incoming orders.
4. Contract pipeline (CRM); expected turnover.
5. ABC analysis; alerts due to turnover changes.
6. Customer lifetime value .
7. Opportunity analyses (CRM); opportunity pipeline; win/loss analyses; funnel analysis: pipeline per phase/region; sales volume forecast; targeting based on lost opportunities; targeting based on competitor), (already available now).
8. Activity analyses (already available now as stand alone, in BW CRM2.0C release).
9. Contract analysis (CRM); expired contracts, open issues.
10. Employee turnover (SEM).
11. Employee involvement/ commitment.
12. Employee satisfaction analysis.
13. Education and training.

Others

CRM is a philosophy rather than a single piece of software. Hence, other components are often utilized to support CRM. The following scenarios are current projects of Human Capital Management (HCM) that will enable CRM to support several HR aspects:

Life Events / iExpert - Extends the standard processes for employee life events (e.g. new hire, retirement, marriage, etc.) with additional information, content, forms and guidance for a better decision making. To provide the information content in there, SAP teamed up with a partner, iExpert. iExpert is a provider of advanced Knowledge base Solutions for Corporate Intranets.

Training Registration - Internet-based Training Registration which enables customers of Corporate Universities (and other professional training provider) to search, book, cancel and evaluate training measures.

Benefits Admin. Services - Enables a benefits provider to outsource and host benefits enrollment processes at their customer site.

HR Services Marketplace - Provides access to an HR service directory that includes information, such as HR benchmark data, salary surveys, as well as information on best practices in HR.

Future vision:

Talent Marketplace - Provides organizations with a revolutionary recruiting network, 24 hour access for managers and applicants to skill search, background checks, pre-employment testing, relocation services, temp, and contract services, and interview travel planning/booking; forums, chats, best practices.

Benefits Marketplace - Provides SAP Customers access to the largest benefit providers and healthcare providers network on the Internet. Instant access to claim status, on-line health benefits comparison/selection, physician choice/provider directories, on-demand practice information, rules-based "point and click" customization to custom tailor benefits programs, benefits forums and chats.

Training Marketplace - Internet-based Training Registration and Delivery provides access to online training and employee development. Internet based course offerings with R/3 and intranet based offerings (forums/chats) on employee development. End users use the Training Marketplace to update their own skills profiles and to access online training through Employee Self Service (ESS) and Knowledge Warehouse. They also can use the Marketplace to take tests after attending a courses and to update their qualifications profiles.

In addition, recently, the project called "CRM Analytics" was started. The project will be focused on:
-evaluation of the existing SAP software with regard to the requirements of CRM Analytics,
-the development and extension of already known concepts, such as customer lifetime value, customer and campaign profitability, and sales planning, within the schedule of CRM 3.0A,
-identifying further development steps in order to make SAP one of the key players in CRM Analytics.

CRM Analytics includes all kinds of market, customer and product analysis, enabling organizations to develop and improve their marketing, sales and service strategies. Customer analysis provides detailed profiling information allowing organizations to gain a better understanding of their customer preferences, buying behavior, revenue and profitability. By integrating customer information from various external and internal sources with performance measures, organizations can identify and capitalize on emerging trends in key markets, and focus their marketing and sales efforts on the market segments with the highest return. All activities concerning customer engagement models will be embedded in an overall scorecard approach.

5 CONCLUSIONS

The concept of Customer Relationship Management is as yet new to have been the subject of more theoretical discussion. However, the pace of change in the market environment and the increasing focus on the customer means that the concept is finding an increasing application within the business world. Despite the hype surrounding the concept, CRM does represent a break with past sales, marketing and service management strategies. Along with the concept, technologies that help to coordinate business functions more efficiently and integrate sales, marketing and service aspects into one CRM system have evolved. This thesis was initiated with the aim of focusing on one part of CRM - sales management - and investigating how sales management aspects emphasized by theory are reflected by the features of CRM software.

The theory part of the thesis provides an overview of the main concepts and processes in sales management and illustrates the most important relations between its components. The most recent trends in sales management are discussed and taken into consideration. The empirical study was conducted at one of the leading providers of business software solutions, SAP AG.

The study concludes that SAP CRM software in combination with other software components, covers most of the building blocks of sales management defined by theory. There are shortcomings with regard to the theoretical approach, which were analyzed in Chapter 4.

SAP CRM sales management software components are developed based on customer-related experience and the definition of user roles within sales management, rather than on the general framework of sales management as to what in CRM context. Existing sales management software components contain a lot of technical functionality and provide a variety of ways to support a range of processes within specific areas. However, some areas in sales management are better supported by software than others.

At present, territory management, performance measurement and human resource management (competency creation and motivation) are the areas least supported by software components. With regards to theory, SAP has an enhanced view and definition of territory management. However, at present there is no territory planning, control and realignment possibilities, meaning that there is no software to support territory management in the way defined by SAP. At the moment, there is no software which would help to incorporate the individual motivation systems emphasized by theory. In the area of performance measurement and analyses, new aspects brought by CRM philosophy and highlighted by theory, have still to be taken into consideration and reflected in software solutions. However, many of these mentioned topics are covered by ongoing SAP development projects for future CRM releases.

What was found to be of particular note is that several links between different parts of sales management, identified by theory as very important, are currently not supported by SAP software functionality. This is the case, for example, regarding interrelations between sales and marketing activities, processes of sales cycle management and motivation systems, performance measurement, analyses and motivation, and planning functions.

Technical difficulties may prevent different components from being combined together easily; however, due to the delimitation of my thesis they have not been discussed in detail. In addition, the links between different sales management parts were difficult to identify as there was no clear sales management framework defined within CRM context. The integration of the management cycle into different sales management building blocks is one of the tools discussed, demonstrated and suggested in this thesis. The software can support identified links by stimulating information exchange processes or triggering some types of influences/ action for the areas identified.

It's important to mention that, through my study and brief investigation of competitive products, I found out that, at the moment, due to the complexity of the issue, there is no software vendor which provides complete software solution and covers all the important links. mySAP CRM covers most of the main components and is integrating the back-end components in order to enable the holistic view of the customer and market.

5.1 COMMON FEATURES OF CRM SYSTEMS: ADVANTAGES AND DISADVANTAGES

Through the empiric study and analysis I have investigated SAP CRM techniques and also had a chance to look into the competitors´ CRM solutions; for instance, the products of Siebel, Oracle, etc. Since the scope of my thesis was not to compare different CRM solutions, no such information is provided here. However, what I have learned from this observation is that all the CRM systems have a common idea on how to approach sales activities and sales management.
Firstly, the core activities in CRM are enabled through three technologies (following the description of Peppers and Rogers, 2000):

- **Database technology** - provides facility to store, analyze and map large amounts of data.
- **Interactivity** - Web Sites, call centers, and other means by which a company can interact with its customers.
- **Mass customization technology** - enables a company to break products and services down into modules or templates, which could also be called computerized standardization.

Secondly, sales management software solutions are based on specific sales management ideas. These ideas usually are the result of what software producers establish through careful study of customer needs. Based on this, the software usually supports particular types *of organizational structure* and uses *defined user roles* to which software functions are assigned. This enables software solutions for supporting different processes to be developed at a more detailed level. On the other hand, one possible disadvantage is that the software supports only those specific types of structure and roles. This might result in software which does not support, but instead imposes, a way of working that does not fit the organization or meet its needs in the long run. One way of solving this, is product customization for each customer. However, as experience of SAP shows, customizable parts increase the price of the solution, hence customization can be allowed only to a certain degree. To certain extent, this means that software cannot give a customer concrete solutions. It can only give examples, templates of how to make solutions, and tools which would

enable customers to have data in a way which is useful for a specific organization.
A further observation is that CRM sales management software is based on the assumption that data is entered into the system correctly and fairly. Is this always the case in practice? I think this question becomes even more critical if the links emphasized by sales management theory are implemented into software solutions. For instance if the link between sales cycle management components and motivation systems is implemented in the software (where the number of lost opportunities influence the sales person's commissions) then the question arises as to whether the sales person is likely to enter information in the system, on opportunities that he is not sure to win. Furthermore, unreliable data in different areas might affect analyses, planning and forecasting, hence making the whole system unreliable. One answer to that could be that the user of software is responsible for how he/she uses the product. On the other hand, it can also be argued that this is an issue of product quality and "intelligence", hence, to be taken into consideration and solved by the software provider.

5.1.1 The critical aspects of CRM sales management systems.

During the study I have learned that CRM sales management software allows companies to identify customers, differentiate them in terms of their needs and value, interact with them, and customize some aspect of its products or services to meet those customers' needs. However, two things still important to have in mind are that:

- There are limitations when it comes to technology delivering *perfect* customer data and its analysis. These limitations arise because technology relies only on *entered* data.
- Because of existing intangible aspects when it comes to the relationships between the humans, technology does not enable to control *all* customer interactions.

Those limitations are valid for all software providers, because, in any case, there are always humans behind the technology. One possible way of how these critical aspects could be handled is optimization of entered data or attempt to make processes more transparent. However, experience of SAP shows that such attempts would result in more complex customization and usability of the software, meaning that the user has to maintain more data. This complicates the work of a user and, then, the software is no longer supporting a work of user, because the effort put into maintaining the software exceeds the received benefit. Hence, these two aspects are more important from the perspective that it has to be taken into consideration by decision makers, rather than looking for a perfect technology solution.

5.2 FUTURE INVESTIGATIONS.

During the process of data gathering and discussions with SAP employees, it was often mentioned that SAP, so far, has developed a lot of technical functionality, however there are deficiencies in data presentation and user interface.

Presentation of data sometimes appears too technical and it takes time for the customer to discover the best features of the software. Also, a lot of customization is required and customization is complicated. This means that there is a threat that customers may not be using 100% of the functionality provided by SAP and, therefore, not obtaining maximum benefit from the software.

Another way to pose the question is whether all provided functionality is really necessary and is used by the customer? Or does it just complicate the usability of the product?

With regards to the sales management roles already defined by SAP, another study could be conducted to investigate the work processes of these roles, find out what is needed to fulfill their relevant tasks and pinpoint the priorities of each role.

Since this is not the scope of my thesis I will not discuss it in detail, however I would like to indicate that further study concerning the issues mentioned should be required.

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6.2 EXHIBITS

Figures

Tables