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Better Sales Networks

by Tuba Üstüner and David Godes
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Anyone in sales will tell you that social networks are critical: The more contacts you have, the more leads you'll generate and, ultimately, the more sales you'll make. While there's some truth behind that thinking, it's a vast oversimplification. Different configurations of networks produce different results, and the salesperson who develops a nuanced understanding of social networks will outshine competitors.

The salesperson's job changes over the sometimes lengthy course of the selling process, with each phase requiring its own particular set of abilities. The skills involved in finding a lead don't apply to, say, closing a deal. Moreover, each stage requires the salesperson to build and use a different kind of social network. A grouping of prospects, for instance, has little in common with the network of experts who might be needed to convince a customer to finalize a purchase. Yet few managers, and even fewer salespeople, know how to manage their networks efficiently.

To better understand sales networks, it's helpful to view the sales process as four distinct stages: identifying prospects, gaining buy-in from potential customers, creating solutions, and closing the deal. Success in the first stage depends on the salesperson's acquiring precise and timely information about opportunities (ideally, ones that competitors don't know about) from contacts outside the seller's organization and in the marketplace at large. In the next stage, the salesperson needs to map the prospect organization and secure meetings with key decision makers so that the selling firm gets the serious consideration it deserves. That involves knowing who in the prospect company makes the decisions, who has influence, and what the potential customer's underlying problem is. Because answers must come from within the prospect, the salesperson needs people inside that organization to help him achieve his goals.

In the third stage, the salesperson comes up with a solution for the prospect, but rarely on his own. Success here depends on the seller's ability to identify where the components of
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A Closer Look at Social Networks

The term “social network” refers to a person’s set of direct and indirect contacts. Consider Bob, an industrial chemicals salesman. At his previous company, he worked with Jim, Andy, and Brenda, procurement managers at three different detergent manufacturers. He collaborated on numerous deals with each and shared an occasional beer after work to let off steam about workplace stress. Once, when Jim ran into problems with a supplier, Bob stepped in to fill the order. He also provided assistance to Andy and Brenda on numerous occasions. Bob can now call on these direct contacts if he needs help finding names of prospects for his efforts to upsell within their companies or if he needs a good word about his products to pass along to a new prospect.

Managers often view sales networks only in terms of numbers of direct contacts. But someone who knows a lot of people doesn’t necessarily have an effective network, because networks often pay off most handsomely through indirect contacts. If Bob wants to garner a share of orders for a new line of detergents that Jim’s company is developing, he’ll need to persuade the chemists there to use his product in their test formulations and technical trials.

In each stage, the salesperson’s efforts can be boiled down to two essential and complementary types of network-management actions: managing the information flow and coordinating the efforts of contacts. Some stages require more of one type than the other. In fact, the more information managing that’s required, the less coordinating, and vice versa. (See the exhibit “Different Networks for Different Tasks.”

Thus it’s obvious that salespeople’s individual skills—cold-calling efficiency, consultative abilities, and product knowledge—are necessary but not sufficient. If salespeople are to succeed, they need the resources embedded within social networks; that is, access to the right information, the ability to disseminate it to the right people, and the power to coordinate the efforts of groups of people to deliver value to the customer. If you’re a sales manager, you need to help your team build and maintain the right webs of contacts. In this article, we introduce a framework for systematically managing these all-important social networks.

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well as people in its purchasing and engineering groups; these webs also include other influencers inside and outside the prospect firm. Customer networks consist of individuals from current clients. Marketplace networks comprise former colleagues, members of trade associations, and other actors in the marketplace (such as local real-estate agents) with whom salespeople maintain relationships. Contacts with representatives at other firms selling into the same customer base are particularly interesting components of this network, because those reps may have similar motivations but are not competitors. Finally, salespeople cultivate ties to individuals within their own organizations. These engineers, managers, marketers, manufacturing experts, and sales reps make up a salesperson’s intra-organizational networks.

Matching the Network to the Task
If salespeople and managers understand how networks function, they can pinpoint the most effective network configuration for each stage of a sale and take the actions necessary to create it.

Identifying prospects. Many salespeople waste a great deal of time cold-calling or trying to breathe life into old leads. That’s because they can’t see clearly into prospective firms to know when the companies are getting ready to buy. The right network strategy can make the process of finding good leads much easier.

Let’s look at prospect identification at Arrow Electronics, the Fortune 500 electronic-components company. Most of Arrow’s orders are for ongoing applications at existing clients. Customers tend to remain loyal to suppliers once they have sourced components for particular products, so big sales opportunities arise only when a manufacturer develops a new product.

For Arrow’s salespeople, then, the ability to identify firms that are starting product development cycles is a precious commodity. But prospects keep their product development activities secret to thwart competitors and to keep customers from canceling purchases of the existing version in anticipation of the next release. So how does Arrow discover which company is likely to be the next big buyer of components?

Some of Arrow’s most effective salespeople rely on leads from nontraditional sources. Since one of the first things a start-up company does is lease office space, a real-estate agent may know about a new rollout before anyone else. Smart salespeople, therefore, cultivate

Different Networks for Different Tasks
As a sale progresses through its four stages, the salesperson uses different kinds of social networks, and his or her job gradually shifts from gathering information to coordinating people’s actions.

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<th>Stage</th>
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<td>Gaining buy-in and</td>
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<td>3</td>
<td>Creating solutions</td>
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<td>4</td>
<td>Closing the deal</td>
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What the salesperson spends time doing

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ties with people in the realty network. Engineers formerly with existing Arrow customers are also good sources of information. Thus, Arrow's salespeople who keep up with their prior engineering contacts get leads before their competitors do. To put that into networking language, salespeople looking for new and unique information should cultivate broad marketplace networks. These direct contacts will be most beneficial in a sparsely structured network, where each can connect the salesperson to many different indirect contacts. The sparse web captures wider information than a densely woven network of contacts would. (See the exhibit “Identifying Prospects.”)

The principle that information access is maximized in sparse marketplace networks holds true whether we’re talking about selling electronic components or professional services. John Burgess, a partner at Boston’s largest law firm, Wilmer Cutler Pickering Hale and Dorr (known as WilmerHale), relies heavily on his marketplace network to identify firms that will be interested in his expertise in cross-border IPOs. Investment bankers usually see IPO deals before attorneys, because bankers are the first people hired when a firm begins to think about going public. The more bankers Burgess knows, the more likely it is that one of them will lead to unique information.

**Gaining buy-in and upselling.** Once a salesperson has identified an opportunity, she needs to do two things: educate the prospect company about her firm’s products or services and acquire more detailed information about the prospect and its underlying problem. Thus, she isn’t just trying to maximize information inflow as she was during opportunity identification. She now needs to convince her initial contacts to invest time in educating her on their firm and introducing her to other people in their organization. (See the exhibit “Gaining Buy-In and Upselling.”)

Asking an initial contact to introduce her to someone or to endorse her or her proposal is very different from simply asking for information. The contact isn’t going to put himself on the line unless he’s sure she won’t jeopardize his reputation. So instead of building multiple nonredundant contacts—as she did in the marketplace network—the salesperson needs to establish fewer, stronger ties in her prospect network.

That is no easy task, as Hewlett-Packard’s Computer Services Organization discovered in the mid-1990s. The unit had planned initially to penetrate new accounts by satisfying the (essentially commodity) hardware reordering needs of purchasing managers and then use those initial contacts to open the door to the IT department, where it could sell more complex hardware. HP planned to leverage those contacts to build relationships in the C suite in order to sell lucrative consulting projects. This foot-in-the-door plan failed because managers in customer companies derive a certain power from being connected to the supplier and all the benefits the supplier’s

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1 **Identifying Prospects**

A salesperson’s network for finding new leads in the marketplace should be made up of contacts who know different people. That way, each direct contact can connect the salesperson to diverse indirect contacts, creating a wide web.
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Salesperson brings. Contacts at customer firms didn’t want to risk losing that power by allowing sales reps to call on other people in the organization. Had HP’s sales managers spent more time evaluating the underlying prospect networks, they might have foreseen that their client contacts would not necessarily help them move higher in the organization.

In this stage, then, it’s crucial for the salesperson to map out the prospect organization network and understand how it works. If he can determine who wields influence, he can devote his time and energy to cultivating ties with those individuals so that they can help him gain buy-in from the official decision makers.

Upselling is similar in some ways to gaining buy-in. To create more deals within existing clients, salespeople must focus on building new relationships within their prospect networks. They should study the client firm to identify brokers: people with multiple diverse contacts inside the organization. Brokers can provide the salesperson with a host of indirect contacts who, if tapped efficiently, can lead to a mother lode of information.

To find a broker, a salesperson must evaluate the nature, structure, and shape of the networks in the target firm. Who has formal authority? Who has informal authority? Who has access to information? Who always seems to know where to find things, people, and funding? Over time, the salesperson will be able to locate the most influential brokers. When he does, he should invest significantly in building relationships with them.

Creating solutions. A salesperson lands an account by developing a solution tailored to the customer’s unique business problem. Her ability to bring precious, hard-to-find technical knowledge to the customer can make or break a deal. Because she cannot possibly know everything herself, she must rely heavily on the expertise located within her intra-organizational networks. (See the exhibit “Creating Solutions.”)

In electronics sales, for example, a single motherboard might include hundreds of components, each of which is offered by many suppliers. Most of the components, moreover, become obsolete in less than a year. When a customer asks for help on the design of a new board that is to be installed in, say, airport auto-flush toilets, what’s the salesperson to do? She needs a sparse intra-organizational network that will link her to a diverse range of technical experts within her company. If she has built the right web, she can find the right expert quickly. She can create huge value by using intra-organizational networks to locate the right information and deliver it to the customer on demand.

When creating solutions, a salesperson is rarely able to simply tap his network for infor-
Information. He must also act as a broker and assemble an ad-hoc team of experts, coordinating the efforts of people who may not have met one another before. The autoflush toilet, for instance, requires several types of engineering experts: specialists on a particular sensing device and generalists who know about compatibility issues with newly designed chips. The salesperson who can connect the far-flung nodes and create a smaller, dense network focused on the task at hand will be more effective.

Closing the deal. By the time the salesperson has made it to the last stage of the sales process, he has demonstrated the product, held scores of face-to-face meetings, and exchanged hundreds of e-mails. The prospect has kicked the tires and taken a test-drive but is worried about what will happen after 50,000 miles of driving on his highway, the way he drives. How should the salesperson respond to that worry? He needs to find someone who drives just like the prospective client. In other words, he needs to provide references. (See the exhibit “Closing the Deal.”)

At data storage giant EMC, for instance, a salesperson might be asked by a buyer from an airline: “How will EMC’s storage system work with my applications? How will it interact with my IT infrastructure? How will EMC respond to my problems when I call?” The salesperson must then mobilize his network of past customers to find another airline with similar (or, better yet, the same) applications, infrastructure, and problems and must put people from the old client in touch with individuals at the prospect. So in addition to being crucial for identifying upselling opportunities, a salesperson’s customer network is very valuable for closing deals at other firms.

Experts outside the firm can be important in sealing a deal, too. An industry guru can have a powerful impact if, for instance, he can tout a product as the wave of the future.

Network-Smart Sales Strategies for Managers

We’ve shown that salespeople need to develop marketplace networks to identify new opportunities; that they need to build prospect networks to identify upselling opportunities and gain buy-in; that they must work their intra-organizational networks to create solutions; and that they need customer networks to close a deal. Moreover, the further along they are in the sales process, the denser their networks should be. In this section, we’ll look at how companies and sales managers can use three levers—sales force structure, compensation, and skills development—to encourage salespeople to adopt a network-based view and make the best possible use of social networks.

Sales force structure. Clearly, the best way to ensure that your salespeople hear about new opportunities is to encourage them to build marketplace networks with many diverse contacts. Not everyone, however, is naturally good at that, so you should consider decoupling lead generation from other tasks. This is a common practice in certain indus-

3 Creating Solutions

In this stage, the salesperson first develops a sparse intra-organizational network, which gives him or her access to diverse expertise. Next, the salesperson connects the experts in a dense network to maximize the coordination of their efforts.
tries. Many financial advisers, for instance, employ “bird dogs” who do nothing but identify leads. Some people are very good at building diverse ties but not so adept at maintaining other kinds of networks. They are extroverts who like to keep up with many people but lack the patience to connect individuals and coordinate their efforts. If they are allowed to focus on what they excel at, chances are they will get even better at generating diverse contacts and will thus produce leads much faster than people working at managing the ties within their networks. The people whose strengths lie in nurturing fewer but stronger relationships are likely to be far better at creating solutions and closing deals. If they can focus solely on those tasks, they’ll probably become even more effective.

The downside to a decoupled structure is that it can work against the basic premise of networks. A network is effective because participants are willing to share with one another. They are part of what anthropologists call the “gift economy.” A contact shares her resources with another on the understanding that she will gain access to that person’s resources when needed. With a decoupled structure, it can be hard to keep the gift chain intact.

More specifically, lead generation is often tied to reciprocal favors delivered in later stages of the sales process. A manufacturer who gives a lead to a distributor’s salesperson might expect that the manufacturer’s line will be considered for incorporation in the solution when the salesperson gets to that stage. Decoupling lead generation from later stages can break this gift chain, because the lead generator has no opportunity to return favors. That situation could eventually lead to subpar performance by the marketplace network. One remedy is to create a database to track the source of each lead. Then, in the closing stage, the salesperson would be able to recognize what is owed to the referral source and would be empowered to satisfy the obligation.

When it comes to gaining buy-in at prospects, managers can prevent salespeople from falling into the trap HP found itself in. Managers might even make use of the solution that HP ultimately came up with: restructuring to access prospect firms through multiple sales forces. A manager at a customer firm may not want to introduce “her” salesperson to other people in the company, but she’d be happy to introduce the salesperson’s colleague around. This approach can be very costly, however, so it’s appropriate mainly for high-value sales.

In the solution stage, a salesperson might justifiably feel frazzled trying to cultivate the right networks for creating various customers’ solutions. There are several ways managers can lighten the load. First, consider the extent to which your firm’s offerings have predictable solution-creation needs. If solutions are relatively standardized, you should set up dedicated solutions teams for major accounts, as-

4 Closing the Deal

In the final stage of the sale, the salesperson must mobilize a network of past customers and outside experts who can serve as references to help persuade the prospect to buy.
signing support staff and salespeople on the basis of customers’ requirements. Dedicated teams develop trust and commitment as members become comfortable working together to complete complex tasks, often under great stress. This approach also allows executives at the selling company to evaluate the workings of the networks of experts within their organization—for example, the executives can monitor how quickly people respond to a salesperson’s call for help. Is the sales force getting the support it needs? Which people work well together? Most important, establishing formal teams removes the burden of intraorganizational networking from the salesperson. She doesn’t need to spend valuable time finding experts for every proposal. Management does all that networking for her.

If your offerings are complex and customized in an unpredictable way, consider an ad-hoc approach to team development, in which support people are tapped as needed. Managers can create an intranet listing of employees’ areas of expertise and former work experiences so that salespeople assembling ad-hoc teams can easily find the most appropriate members. The salesperson can then send an e-mail to all the experts at once, describing the situation and requesting support. Instead of spending time finding internal experts, he can direct his efforts toward developing marketplace or customer networks. As an added benefit, managers will learn valuable information about support people’s response rates to these requests and their speed in answering.

Another useful approach, common in professional services but applicable in other product domains, is to create groups that cut across functional areas. At the law firm Hale and Dorr (one of the predecessors to WilmerHale), managing partner Bill Lee instituted “practice areas” that transcended traditional specialties such as corporate law, litigation, and tax law. The Life Sciences group, for instance, brought together attorneys from every specialty to discuss issues relevant to companies such as bio-tech firms. Members became part of an informal network, so that if a corporate lawyer from the group needed help on a litigation issue, he already had a relationship with a litigator through the group. Essentially, this approach established relatively sparse networks for members of each practice area.

Managers can also have an important impact in the last stage of the sales process. Prior clients can help close a deal, as we’ve pointed out, but salespeople often have trouble maintaining networks of potential references, who understandably don’t want to be a part of helping rival firms make better purchase decisions. A sales manager can create an organizational structure that will motivate past clients to help. The way to do that is to assist the clients in building their own valuable personal networks. If a past client is a CIO, for example, the salesperson can help him meet other CIOs who might be useful not only in making future technology decisions but also in career moves—especially since the average CIO tenure is only 12 to 18 months.

Once a prior client has agreed to be a reference, you must decide who owns the right to contact him. Creating a team to manage and nurture the reference pool ensures efficient use of previous clients. If the CIO at, say, American Airlines will have the biggest impact on a prospect at either United or Delta, the salesperson will want to be sure that those are the places where the CIO’s opinions are heard. A centralized structure minimizes the chances that any contact’s privacy will be violated or his time wasted, and it thus helps prevent burnout, a common complaint among references. (Once customers agree to serve as references, salespeople may be less than diligent about protecting their privacy and respecting their time, especially when the reps are chasing deals at the end of the quarter.)

To reduce the risk that references will balk at helping a reference specialist with whom they have no prior relationship, managers can carefully transition each client to the centralized team. Such a handoff is fraught with risk, however. Success depends on the manager’s making sure that the specialist positions himself as useful to the client and the client’s own personal network and reputation.

Compensation. A well-designed compensation plan will improve your salespeople’s network management skills and maximize the flow of resources from networks. Since building the right kind of networks to foster leads is a time-consuming endeavor, consider offering explicit incentives for lead generation. Although this is an indirect approach to network building, it serves two important purposes: It increases the immediate benefits to salespeople from investment in their marketplace net-
works, and it makes a statement to the sales force about the importance the company places on leads and lead generation.

A system of financial incentives can also induce a salesperson to take the time to log each lead and all its associated information. Capturing detailed data—Where did the lead come from? What happened to it? Which contacts are providing the best information?—is extremely valuable for companies, especially in industries with high turnover. If the salesperson leaves, the lead doesn't disappear. Additionally, tracking data of this sort allows managers to ensure that salespeople are developing high-quality leads.

The salesperson's company can spur the creation of effective intra-organizational networks by compensating employees for supporting the sales force in creating solutions and closing deals. To discourage support people from aiding only the projects that seem easy to sell or only the salespeople who seem most likely to close deals, the company should base compensation on how many sales efforts are supported, the number of hours spent, and how quickly assistance is provided, rather than on how many solutions the support people help create. An added benefit of paying the backshop employees a commission—even if it's not on the same scale as the salesperson's—is that you'll ease the resentment of the support people, who may feel they're doing all the work while the salesperson reaps all the benefits. Although that resentment stems from an underestimation of the effort that goes into selling, it can get in the way of a well-functioning intra-organizational network.

Some salespeople are inclined to hoard their most valuable reference sources to ensure that the contacts are available to them when needed. To counterbalance that inclination, some firms pay salespeople a small incentive, or “spiff,” for every name added to a reference pool. An even more powerful tool for prying names from private lists is recognition: Give credit to the originator of a contact who eventually facilitates a closed deal.

Skills development. Senior managers must ensure that the network-based view of sales becomes the norm throughout the organization so that salespeople can readily learn network skills. Managers should thus promote an organizational culture that supports network-friendly activities. For instance, the company should sponsor social events to which salespeople can bring their contacts from various industries and contexts. Training is critical to transforming the firm into a network-aware organization. Frontline sales managers need to understand network concepts and be able to evaluate salespeople's efforts to implement network strategies. Moreover, the company's hiring and promotion decisions should be based on individuals' understanding of how to use networks effectively.

If your company has chosen not to decouple lead generation from the remainder of the sales process, there's an intriguing new technology that is worth investigating. Online networks—something like a Friendster for consultants and salespeople—may be extremely useful as a skills-development tool for people in your company who aren't naturally gifted at networking. These forums let users tap into a vast pool of contacts who are entirely different from their current contacts—that is, into a vast set of sparse network relationships.

Salespeople must be taught how to evaluate their own, as well as other people's, networks. Assessing networks is a crucial skill when it comes to securing buy-in at prospective clients. Salespeople should get used to asking themselves questions such as “Are my marketplace ties sufficiently diverse?” “Should I jettison a redundant contact so I’ll have more time to build new relationships?” “Who will be likely to promote the offering effectively?” “Who are the brokers?”

While we're not advocating an extensive (and costly) social-network analysis of every prospect firm, we would urge managers to give their salespeople the skills, tools, and foresight to evaluate factors such as the extent of a contact's connections in a prospect firm, whether the contacts are connected to one another, and how well the salesperson is positioned to make use of key influencers and decision makers.

Because the best way to get customers to serve as references is to help them build their own social networks, salespeople must be able to evaluate a contact's personality type as well as her networks. If she already has a broad and diverse network, she's likely to be highly motivated by the opportunity to expand her network, since she is clearly invested. If she fre-
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Salespeople frequently participate in conferences, she may well value the opportunity to heighten her public profile and make new connections.

Finally, an important element of maintaining a healthy customer network is recognizing that networks need maintaining. Most managers are comfortable training people how to do such important tasks as cold-calling and closing a deal, but few are confident in their ability to explain the best ways to simply keep in touch with contacts. E-mailing a contact every once in a while to “check in” or “just say hello” may not always be the best approach. Customers are likely to be irked by such a ploy. Managers should ensure that communications always add some sort of value. ENSR, an environmental consulting firm, produces a monthly newsletter that its salespeople send to their client contacts, many of whom are corporate managers of environmental affairs. It contains plenty of information about recent ENSR projects, to be sure, but it also provides data on industry trends that recipients may find useful.

Once you understand the four distinct stages of making a deal, it’s clear that certain network configurations are better suited to certain tasks. In the earliest stage, a diverse marketplace network is best for identifying new leads. In the next stage, cultivating a prospect company network for access to the decision makers will help a salesperson gain buy-in. The third stage is all about coordination: Here the salesperson needs to forge ties among contacts in his intra-organizational network so they will work together to devise solutions for his prospect’s unique problems. And to close the deal, the salesperson needs contacts from his customer network who can vouch for his good reputation.

We’re not saying that cultivating all these networks is easy, but we believe that the salespeople who take the time to do it will reap tremendous advantages. Moreover, they don’t have to go it alone. We’ve found that companies can make changes to their sales force structures, compensation plans, and training programs to institutionalize the network view of sales. Companies looking for better results should help their sales teams build better networks.

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