

## SALES ORGANIZATION AND METHODS<sup>1</sup>

A SECOND REPORT OF THE COMMITTEE ON THE SALES QUESTIONNAIRE

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### I. INTRODUCTION

THE purpose of the following questionnaire was to pursue further the line of inquiry begun by the questionnaire reported upon at the meeting of December, 1921. The two questionnaires are however different in details. It was proposed by this particular line of inquiry to secure certain data and to exert a certain influence. The data which it was hoped to secure relates to the general organization and methods of the distribution departments of a number of representative concerns, the extent to which functional lines have been followed in the organization of such departments, and the extent to which scientific planning and scheduling of sales operations is practiced. It was hoped to get behind the diverse terminology which has come into use and ascertain facts in terms of a unifying terminology. The influence which it was hoped to exert was to get sales executives to think of their problems in the large and in terms of logical functions, and make the beginning of a use among sales executives of a terminology already familiar to major administrative and production executives—a familiarity which is necessary if sales executives are to talk with general managers and production managers about problems now recognized as common to all the executives of an enterprise and not problems of any one department.

The ambiguity of many of the answers to the questions in the questionnaire proves that sales executives are not accustomed to think of their organization problems in terms of general principles of organization now familiar to other executives; and also that a standard, mutually-understood terminology is desirable.

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The questionnaire was sent to some 175 firms and 45 replies were returned. The data being confidential the following only can be stated concerning the firms which answered the questionnaire: they are fairly representative of firms as far west as Cleveland, Detroit and Cincinnati; of a wide variety of fabricating industries; of large, medium and small concerns; and of concerns which have a national reputation for the excellence of the organization and methods of their sales departments, and concerns which have not such a reputation.

Because of the confidential nature of the replies and for other reasons it is impossible to present what would be the most desirable kind of analysis—one showing the answers of each separate firm. The combination of the answers to the separate questions is instructive. Firms which are "advanced" in organization and methods with respect to the phase inquired into by one question are generally "advanced" also with respect to the phases inquired into by other questions.

The questionnaire, including analysis of replies, is presented first; then general observations.

### II. THE QUESTIONNAIRE

#### A. ORGANIZATION

A 1. Is your sales organization one central unit with main divisions reporting direct to sales manager?

Replies indicate that where distribution is to middlemen who have large sales staffs, sales organizations are centralized to a large degree, the only decentralization being in the field groups; and it would appear that in many cases the field group managers have more responsibility than authority. Where distribution is to retailers, sales agents or consumers, decentralization is the prevailing practice and a larger measure of authority is given to the field division heads.

A 2. Is your sales organization decentralized or sectionalized with sectional groups reporting to district or branch managers?

See answer to question A 1.

A 3. If decentralized, specify in what respect:  
a. Sales groups; b. Warehouses; c. Branch houses; d. Accounting; e. Credits and collections; f. Banking accommodations?

Decentralization into field groups is a common practice of large sales organizations. There is considerable variance reported in the methods of handling warehouses and branch houses. Some have branch houses that are interested only in sales or in a few cases in sales and credits and collections. The branch houses only in a few instances carry a stock of products. The very large industries usually report having field warehouses and a few report carrying in branch houses stocks supplied from central or field warehouses. In most instances the field warehouses are reported as caring for credits and collections and also the accounts of the warehouse zone. In only two of three instances do the reports show that field warehouses or zone officers have separate banking accommodations. One large industry reports that its several branch factories maintain separate sales organizations and have a large measure of independence.

A 4. If decentralized, do you maintain at home office duplicate records of:

a. Salesmen; b. Inventories; c. Accounts; d. Credit rating; e. Statistics?

Where the sales organization is decentralized, the home office usually maintains duplicate records of salesmen's activities and of sales statistics. The question was not so worded as to bring out replies that would indicate the extent to which branch offices maintained salesmen's records and sales statistics. There seems to be about an even split between the maintenance of duplicate inventory records at home offices and of dependence upon monthly reports of inventories from branches. Where accounting is done at branches, only controlling accounts are usually carried at the home office, but duplicate credit records are usually kept.

A 5. If you have branch distributing points, do you maintain centralized stock control?

a. Are stocks requisitioned by branches? b. Is production allotted by central stock control?

This question suffered because it was not framed with sufficient clearness. There is general agreement that centralized stock control is essential. Most of those reporting replied "Yes" to both sections (a) and (b), but the intent of the question was to distinguish between two different methods of maintaining stocks in branches. Further investigation discloses that requests from branches for stock forms the basis of the stock allotment, hence the common answer "Yes" to both sections of the question. One company reports that stock is allotted on the basis of sales records and hence requisitions from branches are not considered necessary.

A 6. Is credit and collection work centralized?

a. In respect to credit limits? b. In respect to standard collection methods?

Replies indicate general centralization of credit work and of setting credit limits. Where field branches are highly organized, considerable latitude on credits is allowed. There is a marked tendency towards standardization of collection methods.

#### B. PLANNING

B 1. Is sales planning recognized as a function distinct from sales operation?

A larger number than last year answered "Yes" but more than eighty per cent of those replying answered "No."

B 2. Do you differentiate between planning of future problems and current problems?

Two-thirds of those answering "Yes" to the previous question answered "Yes" to this one.

B 3. Do you have an organization specifically to function as a research organization to study:  
a. Markets; b. Products; c. Competition; d. Plant capacity; e. Prices?

As so few have made any move in the direction indicated by these questions, the group can well be considered as a whole.

One company reports a research unit studying products, competition, plant capacity and prices, but this unit makes no plans or schedules.

Another reports a sales engineering organization doing research work and beginning to make master plans and schedules for the entire organization.

A third reply says that the company has a sales engineering organization and while it is not yet functioning fully on master plans and schedules, "it will."

Another reports that it is moving towards a sales engineering unit, but it is first developing a sales planning unit, now largely engaged on current problems.

In another report is found a sales research unit which does research work and formulates master plans, subject to approval of the sales manager.

The staff of the Vice-President in Charge of Sales is working on the problems outlined in this group of questions, according to another reply. A Planning and Statistics Section prepares monthly budgets and schedules "that attempt to coordinate production, finance and sales."

Two large companies are functioning to some degree in the matters outlined in this group of questions through committees, in both cases master plans being formulated by sales committees composed of major executives of the business.

In another company a management department, "an umpire between sales and production," does research work and master planning.

The reports as a whole show a greater recognition that the work of the planning function exists somewhere within the organization, even though the results of the work are not definitely set forth in plans and schedules.

In every case where it is reported that master planning and scheduling affecting other parts of the organization are definitely organized, the units report to a company executive other than the sales manager.

B 4. If you have such an organization as B 3, does it confine its activities to future problems only?

See answer to question B 3.

B 5. Does this unit (B 3) of your organization work out master plans?

a. If so, what name do you give to this unit of your organization?

See answer to question B 3.