

THE WIREMOLD COMPANY: THE FIELD SALES ORGANIZATION

This case was prepared by Martha C. Fransson and Robin Chase, both of Rensselaer Polytechnic Institute, and Scott M. Bartosch and Edward B. Miller, both of The Wiremold Company. It is intended to be used as a basis for class discussion. The views presented here are those of the case authors and do not necessarily reflect the views of the Society for Case Research. The authors' views are based on their own professional judgment. Copyright © 2005 by the Business Case Journal and the authors. No part of this work may be used or reproduced in any form or by any means without a written permission of the Society for Case Research.

Scott Bartosch, vice president of sales, and Ed Miller, vice president of marketing, were meeting with Art Byrne, president and CEO of The Wiremold Company (the company), and Orry Fiume, the vice president of finance, to discuss the evolution of the company's field sales force.

Miller began the discussion as follows:

As we have continued to analyze the marketplace more closely, we have developed an understanding that our products, when presented as a system of wire and cable management, are specified for certain global companies for every building they put up (under their own name or under a subsidiary's name): anywhere in the world. It is as important to make sure we are in touch with the corporate decisionmakers at those companies, including their engineering staff, for all of their locations, as it is to be in touch with their primary architect. Not only do we specify wire and cable management solutions for the architect, we must have a way of ensuring that the building owner sees the value of our systems solution, and that the specification is correct. Otherwise, we run the risk of installing a system that does not meet the owner's requirements or is too costly and time consuming to install, thus cutting down the owner's payback.

Scott Bartosch chimed in, saying,

Yes, that is correct, and in addition we now have both domestic and international distributors that are becoming real powerhouses, so the situation seems to indicate that we should migrate to having at least a portion of the field sales force no longer bound by the current

territorial restrictions. But, and this is a very big but, we have to plan the migration. And we also have to involve the field sales managers. There are some pretty important questions involving some major changes that we will have to address.

After further discussion, Art Byrne concluded the meeting by saying, The problem seems pretty clear. Do we have the right alignment between our sales representatives and the buyers, specifiers and distributors? Or do we need to change? And assuming that we need to change the organization of our field representatives, how can we migrate to where we want to be without causing a lot of very disruptive change: for our people and our customers?

Background

The company was a leading manufacturer of wire and cable management systems (raceway and fittings) used to route and manage bundles of electrical power, voice, and data cables in buildings. The choice of a cable management system was important to building owners because electrical power cables often interfered with the voice and data signals carried on communications cables, degrading the quality and integrity of the voice and data carried on communications cables. Equally important to building owners was the flexibility to move, add, or change the cable infrastructure as needs change in the facility. Founded in 1900, the company had an outstanding reputation for high-quality leading edge products and extremely high-quality service. The company sold its products through distributors who in turn sold to electrical contractors working on local job sites. Sales associates¹ were paid commissions based on the dollar volume of sales they generated in their assigned territories.

About 60 to 70 per cent of the company's sales came from over-the-counter pick-up or will-call purchases by contractors who installed the materials in new build and renovation projects. Sometimes consulting engineers were involved in the design of these projects. The sales force maintained contact with engineers who they knew were often involved in writing specifications for new build and renovation projects. Schools and government offices were renovated on an almost continuous basis, and were large users of Wiremold®² products, so the sales force members kept in close contact with the engineering departments in the schools and governmental units that managed those projects. The remainder of the company's sales came from orders for specific jobs that needed to be manufactured to specific customer requirements. The company manufactured over 60,000 SKUs, and had the broadest line in its industry. Because the company offered a greater breadth of cable management solutions than its competitors, with solutions for on-wall, in-floor, in-baseboards, and in-ceiling locations for electrical, voice, and data distribution systems, a customer who sought to mix and match components from different manufacturers would have to consider at least three other manufacturers to achieve comparable choices to the Wiremold line.

Ongoing consolidation of distributors had produced strong regional and national distribution firms.³ Similarly, consulting engineering firms were consolidating into

regional and national firms and were taking the further step of joining with architectural firms to provide complete design services to building owners.

Lean Business Practices. The company under Byrne’s leadership was renowned for its commitment to Lean, and was awarded the Shingo Prize in 1999.⁴ Byrne’s vision was that Wiremold should continue to be a manufacturer of quality leading edge products and the driving force for that quality was the company’s dedication to its customers, its own people, and to continuous improvement through *kaizen*.⁵ (See Figure 1.) Byrne also had a clear and measurable implementation strategy. (See Figure 2.) The vision and strategy slides were used in all communications with associates.⁶ Bartosch and Miller used them in all meetings with distributors, customers, and the field sales associates.

Figure 1
Company Vision Statement Graphic Used in All Presentations



Source: Company document. Used with permission.

An important dimension to the strategy was the concept of time-based competition. Company personnel periodically redesigned every business process to make it faster, less wasteful, and more reliable. Byrne constantly reminded all associates that “Productivity Equals Wealth” in all of his presentations to them. (See Figure 3.) Byrne believed that every part of the organization needed to practice Lean, including the marketing and sales functions. Bartosch used the Productivity slide in all of his meetings with the field sales associates because he knew that professional salespeople understood wealth.

Kaizen and the Field Sales Associates. A few years earlier, the electrical distributors had typically been local, single location operations operating in narrowly defined geographic territories and serving the electrical contractors in their market. Because the distributors, contractors, and consulting engineers all tended to be independent local

firms and had developed a network of business relationships, the company's field sales representatives were organized by specific geographical territories. With the consolidation of distributors, architectural firms, and consulting engineering firms, the old system of sales representatives spending a high percentage of their time with distributors and in geographic territories isolated one from another became inadequate.

To deal with these changes, Bartosch had to develop a new plan of organization. However, he knew that Byrne would require that it be developed through the application of kaizen methods and the involvement of the field sales associates themselves. Therefore, he needed to find ways to introduce Lean principles to the sales associates.

Figure 2
Company Strategy Statement Graphic Used in All Presentations

Wiremold Has A Clear Strategy

**Be The Leading Supplier In The Markets
We Serve And One of The Top 10 Time
Based Competitors Globally**

Constantly Strengthen Our Base Operations

- 100% Customer Service
- 50% Reduction In Defects - Each Year
- 20% Productivity Gain - Each year
- 20x Inventory Turns
- 20% Profit Sharing
- Visual Control And The 5 C's

Double In Size Every 3-5 Years

Source: Company document. Used with permission.

Figure 3
Strategy Positioning Statement Graphic Used in All Presentations

New Competitive Reality

Productivity = Wealth

**The Winners Will Be Companies Who Focus
On Their Processes, Not On Their Results.**

Source: Company document. Used with permission.

Bartosch stated,

The operational changes that were going to result from the kaizen path to a Lean strategy of doing business were probably going to drive the sales force crazy. Just the reduction in the finished goods inventory on the shelf (every salesperson's security blanket) would distract the sales force from their primary responsibility of selling Wiremold product.

You have to create a situation in which salespeople start thinking about something other than an order if you want them to understand the concept of working smart. Doing a simple exercise as part of ongoing sales training can have a tremendous impact on a salesperson's productivity.

The company decided to train the sales force in kaizen by including them in kaizen activities in many departments. (See Figure 4 for a description of kaizen.) Over a period of a few months, every sales associate left the field for a week and became a member of a kaizen team in either the manufacturing or an administrative area. They discovered that Lean was the driving force for the entire company, including sales and marketing. Then, after they had learned the kaizen techniques, Bartosch asked the field salespeople to apply kaizen to improve their own jobs. Table 1 contains a description of the trunk kaizens, the first use of kaizen in the field sales organization.

The Go-To-Market Kaizens. The next stage was adapting the field sales organization to the major changes that were occurring in the marketplace. The question was how to adapt without losing the very positive relationships with distributors. The opportunity was to create strong relationships with the specifying influencers, the architects and consulting engineers, who preferred and recommended Wiremold products. At the same time the sales associates had to move toward Lean thinking⁷ in how they performed their daily

Figure 4
Company Kaizen Graphic Used in All Presentations

Continuous Improvement

“KAIZEN”

The relentless quest for a better way.

Can apply to both the factory and the office.

A tool to make work easier, safer, more productive by studying a process, identifying the waste, and applying small, incremental improvements that ensure the highest quality.

A quick, measurable, and long-lasting process that encourages team-based decision making.



Source: Company document. Used with permission.

Table 1

The Trunk Kaizens

A series of six kaizens, dedicated to the contents and the organization of what was in a sales associate's car trunk, was held in each of the six regions, and then six people, one from each region, went to a national kaizen. Bartosch participated in two of the regional kaizens (one in the Southeast and one in the North Central regions) to demonstrate his personal commitment to the process and to gain a firsthand understanding of what was happening in the field. The kaizen leaders were local salespeople who had received training in how to lead a kaizen event.

In the regional kaizens, everybody quickly identified an important problem: salespeople often didn't have what they needed when they were in front of the customer. The typical salesperson carried a lot of sample products and copies of sales brochures in their car trunk. Many of the samples were made of metal and were long or square, often with sharp corners. The sales brochures were also quite heavy. The trunks tended to fill up as the salespeople carried at least one copy of everything they received from the company. (Sometimes they simply put the whole mailing in so that they could distribute copies to their customers and prospects.) The overflow usually went into the back seat. In the aggregate, the metal product samples and the paper sales literature weighed a lot, so the cars tended to be loaded down.

Because it would take valuable time away from selling, salespeople usually didn't waste any time organizing the trunk or the back seat, which meant that they were often carrying obsolete product and literature. The other problem was that when a salesperson needed a specific item to show a customer or prospect, often he couldn't find it, either because it was lost in the trunk or because there had been no room to fit it in.

The kaizen teams discussed whether the sales associates should be provided with larger vehicles. However, this alternative was discarded once it was agreed that larger vehicles would simply make the problem worse. The solution lay in developing a standard organization plan for the trunk, a list of what would be carried, and limits on the amounts of each item. Items that were used most frequently would be placed up front where they were within easy reach. Less frequently used items were moved to the back. In the national kaizen, it was agreed that what was carried and the amounts of each item would be allowed to vary from region to region, based on regional differences in product preferences.

Source: Prepared by authors from interview data.

tasks and how they related to the company's distributors and endcustomers, the contractors. Finally, the sales associates had to prepare for rapid introduction of new products and acquisitions that would expand the product offering. All of this had to be accomplished without injuring the high morale and productivity of the company's experienced sales force.

The regional kaizens had stimulated the team members to say that they had bigger problems than finding a part in their trunks. Their real problem was in figuring out how to minimize their drive times between sales calls. The teams asked for help in managing the travel process. Should they plan out a whole day in advance, or just accept appointments when they could get them? There were pros and cons to each approach. Planning meant that some desirable appointments might have to be postponed. On the other hand, just making what appointments they could often meant that a sales associate would drive right by several other possible sales calls while traveling from one appointment to the next. This was a huge problem. Some simple solutions might enhance salesperson incomes by as much as 20 per cent.

The kaizen approach to time management gave Bartosch and Miller the opportunity they were looking for. Bartosch said,

The tendency was to call on the customers the sales associate already knew and liked. There was a need to stay in an individual's comfort zone. The company, however, wanted sales associates to call on the top architects and engineers in their area to persuade them to specify Wiremold products in their designs. The move from 80 per cent of a sales person's time being spent with the distributor and 20 per cent of their time with the specifier⁸ was about to be reversed. This would change the salesperson's job from selling products to selling solutions for wire and cable management. The sales associates would need the right samples and literature, as well as time and contact planning, for the new concentration on specifiers.

Bartosch believed that when selling a concept or a system solution, being able to show the architect or engineer a sample of the concept (not the exact part to be used) was what counted. Samples of specific parts could always be provided later along with a project proposal, if required. He said,

Not having the exact sample has a way of delaying a sales call, so our sales associates had to become a conceptual sales group. That would clearly enhance their professionalism. Converting to a conceptual sales approach would require the salesperson to grow and improve their listening skills to transform himself or herself into a true consultative salesperson.

At first, the sales management team (Bartosch and the regional sales managers) developed a formal program of *concept selling techniques*. Three-day training sessions were held around the country to shift the sales force into the art of concept selling and away from parts and pieces selling. The last half-day of the training session was devoted to a kaizen performed by the sales associates to define the implementation steps and techniques that they would have to perform to move toward concept selling. Later, the company established a formal training program and a training department with three people traveling full time to provide training sessions for the sales force, the customers, and the distributors.

Marketing Support of Sales Force. When Ed Miller joined the company, he knew that a part of his mission was to change the marketplace perception of the company and the strengths and weaknesses of its product line. He and members of the marketing function put together a *road-show*, a technical presentation using state-of-the-art multimedia to groups of specifiers and selected distributors. In twelve sessions across the country, Miller explained that Wiremold was a solutions company whose concepts of wire and cable management systems were the answer to the problem of "future-proofing" a building to provide for present and future requirements for distributing electrical power and for carrying both voice and data communications.

Actively collaborating with Steve Maynard, vice president of engineering, in the product development function, Miller said, "We can no longer be the little brown raceway company." New products had to be both flexible and aesthetically pleasing.⁹

Distributors, Customers, and Lean Thinking

Using the Wiremold Production System¹⁰ and the company-owned Cycle Trucks,¹¹ distributors were placing weekly orders and receiving weekly deliveries one day after the order cut-off date. Distributors were tying up less money in inventory to support their customers and they were still able to deliver the materials that the contractors needed, when they needed them. The combination of superior service from the company and the reduction in inventory that the distributor had to carry was a significant profit enhancer for the distributor: provided that he could implement the new system successfully.

To assist the distributors in improving their profitability, the company developed a training program for its own sales associates so that they could become well-versed in distributor business practices and how distributors made a profit. The training program included a brief presentation that the sales associates could use to introduce Lean and its advantages to the distributor.

Lean business practices could also be used to assist the contractors in enhancing their profitability on the job site. Traditionally on large projects, the contractor would give the distributor one order for all of the Wiremold material needed for a job. The contractor would pay the distributor for the material when it was delivered and store the material on the job site until it was needed, often weeks or months later. Because of the company's manufacturing flexibility and delivery reliability, the sales associate could now go to the contractor and ask for the job schedule and, working with the contractor and the distributor, work out a delivery schedule so that the material needed would arrive on the job site when and in the amount needed. This service of making several deliveries saved the contractor the cost and loss due to storage on the job site and helped the contractor's cash flow since he only paid for material he was installing and getting paid for. See Table 2 for an illustration.

The advantage to the company of the new way of doing business was that orders for products were placed more evenly throughout the month. They could now manufacture what the marketplace was buying, rather than what they expected the customers to buy in the future.

Bartosch remarked:

We had positioned ourselves to make Lean a benefit to our customers and distributors in the marketplace, and we had no competitor who could match us. The concept of making what you have sold was a winning market strategy. It simply proved what we had believed. Lean is not a manufacturing strategy but rather a complete business philosophy, an advantage not only to the manufacturer but to the distributor and the customer as well.

Applying Lean in the marketplace meant that sales associates had to become much more intimate with the distributors. The company began requiring them to meet on a quarterly basis with the leading distributors in the major marketplaces and at least annually with every distributor. The meetings were to include the decisionmakers (the CEO and financial manager) of each distributor, not just the purchasing agents as in the past. Bartosch said, "We had to understand that the purchasing agent was usually instructed by the owner or financial group within a distributor to minimize the investment

Table 2

Illustration of How to Serve a Contractor with a Very Large Order

The Traditional Way of Doing Business

Suppose a contractor wanted (or was required by specification) to use Wiremold V4000 raceway on a large project. The contractor would call a distributor in the local market and order 50,000 feet of V4000 raceway and the appropriate fittings. Traditionally, the distributor would then call Wiremold and order all 50,000 feet for immediate delivery, even though it might take the contractor two or three months to install it all. The distributor would then negotiate with the contractor to determine who would store all 50,000 feet of raceway (after Wiremold delivered it), protect it from damage, and pay for it. The raceway would then be released to the electricians at the job site as it was needed.

Upon receipt of this order, Wiremold would (in the old days) order all of the materials, store them, and dedicate a production line to making the entire order all at once. In consequence, Wiremold was dedicating a lot of warehouse to storing raw materials that would not be used for some time, and it might have to pay premium prices to obtain all the raw materials immediately. Further, the company would hold all of the finished goods in its inventory until the entire order was ready for shipment. The inventory costs included warehouse space; financing costs; manpower to store the raw materials, work in process, and finished goods; and damage (usually due to handling). And because the order was being made all at once, orders from other customers might be put in queue and delayed: causing them aggravation and the company unhappy customers and (possibly) lost business.

This traditional way of doing business was causing the company some serious problems by disrupting its one piece flow assembly cells, and was costing it money. There was a better way.

The Lean Way of Doing Business

Wiremold's new policy for this type of order was to deliver the finished goods directly to the job site (instead of to the distributor) in installments tailored to the contractor's expected need for the product. In the above example, the appropriate delivery schedule might be 10,000 feet every two weeks.

Further, the deliveries would be made using Wiremold trucks. All that the contractor had to do was to unload the product and put it where it would be protected from damage yet easily available to the electricians who would install it. Storage costs would be greatly reduced for both distributor and contractor (warehouse space, damage, loss from shrinkage, and the costs of moving excess inventory around to make room for other materials). Finally, the program included a new payment policy. Each installment would be ordered and paid for separately. This saved the distributor (and the contractor) the costs of financing inventory sitting in storage. Wiremold offered the following analogy:

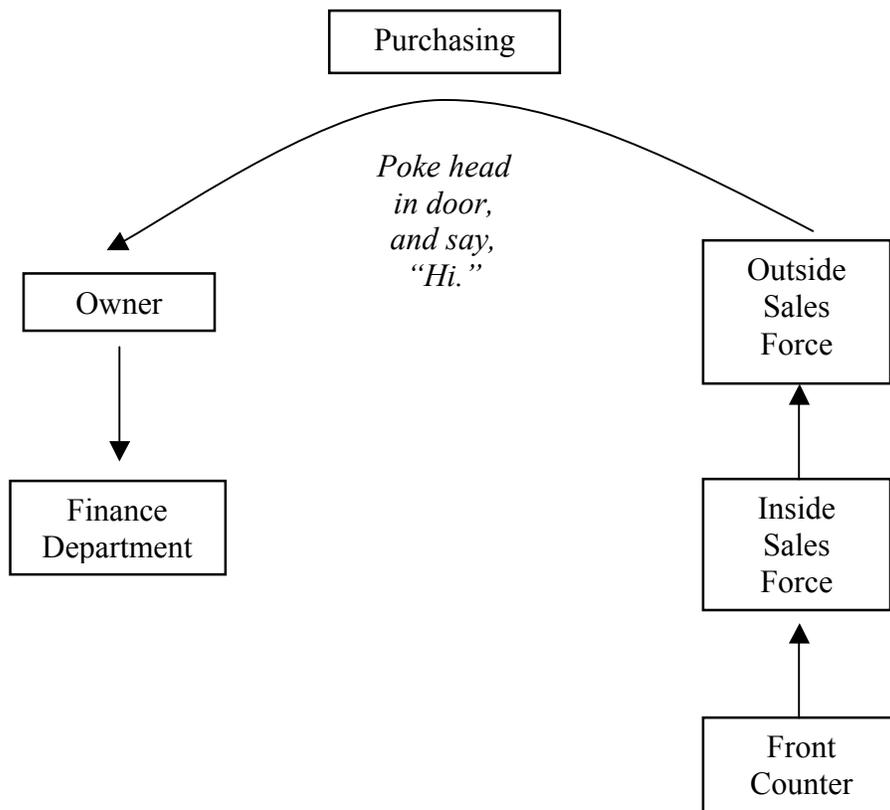
Grocery stores don't keep more than a day's supply of bread because the bread man delivers daily. Unsold bread becomes stale and is thrown out at the end of the day. If Wiremold's truck is coming once a week, why should they deliver a three-month's supply?

Source: Interviews with company personnel by authors.

in inventory. In practice, this usually meant that they bargained for lower prices, inventory on consignment, or to accept returns of inventory that was not selling well (often because they had purchased too much of it at promotional prices).” To expand the line of Wiremold products carried by its distributors, the Wiremold sales force had to cultivate the owners and the financial group of each distributor. Sales associates were expected to discuss the business of distribution and how Wiremold could help distributors to improve their breath of product offerings and service to contractors, while at the same time increasing their GMROI (gross margin return on investment), a key measure of profitability. When GMROI increased, so did absolute profit levels.¹²

Bartosch conducted a series of kaizens on the best way to conduct a sales call on a distributor. During each kaizen, the sales call was diagrammed just as a manufacturing process would be. The goal was to allow the salesperson to flow through the sales call without backtracking and wasting time. The new process was also intended to help identify all the people at the distributor who should be considered for visits and then help the sales associate decide how to allocate his or her time during the visit. Figure 5 contains a diagram of the consensus obtained after several kaizens on the distributor visit process.

Figure 5
Kaizen of a Distributor Sales Call



Source: Prepared by authors from interview data.

Strategic Acquisitions Byrne's plan had always included strategic acquisitions along with new products developed internally to achieve sales growth goals. (See Figure 2.) The first ten acquisitions had been small and their products were easily integrated into the existing sales force. Then Wiremold had had an unexpected opportunity to purchase Walker Manufacturing, its largest competitor. Walker®¹³ had the premier line of in-floor wire and cable management systems, a business in which Wiremold was not strong. With the addition of the Walker product line, the company's total product line of wire and cable management systems became the most complete in the industry.

Walker had a sales force consisting entirely of independent manufacturers representative¹⁴ firms who had a depth of experience with, and the necessary contacts in, the in-floor business. Byrne, Fiume, Bartosch, and Miller decided to merge the two sales organizations. Only the best sales associates from each sales organization would continue. Further, Walker and Wiremold had different sales compensation programs. To treat everyone fairly, it was necessary to establish a single sales compensation program. Bartosch and Miller were given the responsibility of developing a plan for these changes.

Team Selling

The sales management team held a kaizen devoted to rethinking the job descriptions and measures of success for the field sales associates. Following this initial kaizen, sales associates in each sales region conducted a similar kaizen. The results of the regional kaizens confirmed the results of the managers' kaizen concerning essential components of the job descriptions and measures of success. Bartosch said,

It became apparent that the sales associates should begin to specialize and so the concept of *team selling* was born. The timing was ideal to change the direction of the sales associates' job completely. Many sales associates had been moving slowly away from the distributor and toward the specifiers. We now had an opportunity to dramatically implement the change we were looking for: 80 per cent of total field sales associate time was to be spent with specifiers and the remaining 20 per cent was to be spent with distributors.

Two new field sales associate positions were created. *Specification specialists* would concentrate on working with specifiers, and *distribution specialists* would concentrate on working with distributors. (See Figure 6.) After new job descriptions had been written, Bartosch worked with the regional sales managers to evaluate the personnel in the field. Each person's expertise was matched against the new job descriptions, and the sales associates were divided into two groups.

The goal was for the specification specialists to work with architects, consulting engineers, building owners, interior designers, contractors who offered design as well as building services to their customers, and prominent corporate tenants (all of whom might be specifiers for a project) to assist them in writing the spec¹⁵ for the wire and cable management system for the project. Because the installing contractor would purchase all specified product through a distributor, the two groups of Wiremold sales associates would have to work together.

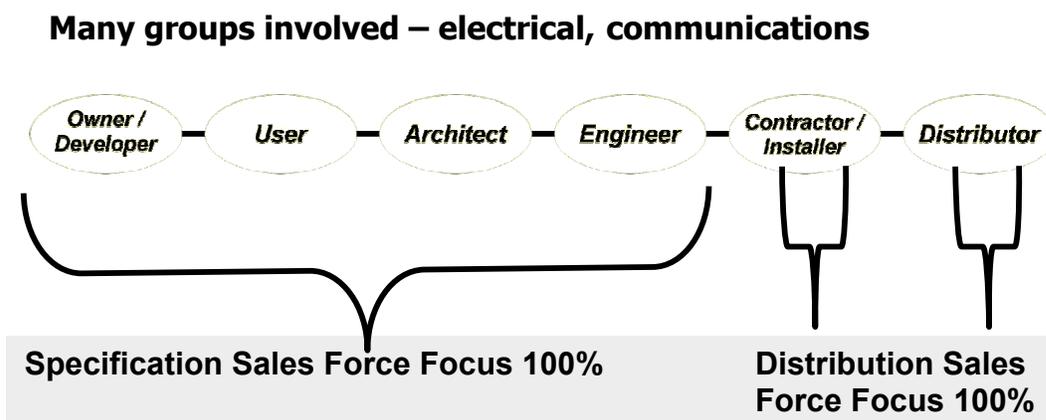
Finally, it would be important that all policies concerning the field sales organization and the compensation program support the concept of team selling. Both Walker and Wiremold people and the two new types of specialists would have to work together, seamlessly.

Team Selling Personnel Policies. To support team selling, Bartosch, Miller, and the field sales managers held a kaizen to review personnel policies and to develop new ones as needed. There were three major changes. First, all new salespeople were to be hired by the territorial team that they would join. Every member of the team had to agree that a candidate was the right person to hire. Second, at Wiremold, people selected for additional development were given a full-time assignment for 18 to 24 months in another department: sales, marketing, or manufacturing. At the end of the assignment, a person might return to his or her former department, or receive an additional developmental assignment in another department. Virtually all marketers had been in field sales. This policy was extended to include Walker associates. Third, the sales teams would benefit from strong internal communications, which could be enhanced by expanding the use of electronic communications. Sales associates needed to be able to learn what was working and what was not. A policy was adopted to strengthen the combined companies' sales support system through information technology and to require its use.

The Team Selling Compensation Program. Bartosch knew that any sales compensation program had to be simple, stable, and structured to modify behavior to make sure that the sales associates were pursuing the company's strategic goals. In addition it had to be fair, but lean enough so that (he said), "As long as you continued to sell more, you made more. The program had to reinforce the adage that personal productivity equaled wealth."

Wiremold's field sales associates had a salary plus compensation program that had been in place for 40 years. New sales associates started at 60 per cent salary and 40 per cent commission. The associate earned a commission on every dollar sold into his or her territory. It did not matter who bought it or whether the sales associate was actually involved in the sale. Commission was paid monthly, starting with the first dollar of sales and on every dollar of sales thereafter, with no cap. The more the associates in a territory sold, the more they made. As sales

Figure 6
Graphic Describing Specification and Distribution Field Sales Organizations
Used in Presentations to Distributor Industry Groups



The goal ...
get the cabling infrastructure defined early
in the design

Source: Company document. Used with permission.

grew in their territory, commission became a greater percentage of every associate's income. In some territories there were experienced sales associates whose commission payments exceeded their salaries. A greater portion of their total income was at risk if they did not perform. By keeping in touch with one another, the sales associates could toss a prospect to the person best able to land the sale: and maximize their own income to boot. It was a simple, stable program that had been in place for 40 years and the sales associates loved it.

Walker's independent manufacturers representatives were paid on a 100 per cent commission basis, a common practice in the electrical industry. Further, representatives only got paid if they personally wrote the order.

The concept of team selling was a big change for the Walker representatives. Wiremold established a single territory system for all sales representatives, and allowed the Walker manufacturers representatives to join with the Wiremold field sales associates. At the same time, the company extended its practice of paying commission on all sales in each territory regardless of who initiated the sale to the former Walker manufacturers representatives. All of the former Walker representatives and all of the former Wiremold field sales associates were designated either a distribution specialist or a specification specialist. Distribution specialists were responsible for the distributors and small and medium-sized contractors in their territory. Specification specialists were responsible for the owners, specifiers, and the large national contractors (if there were any) in their territory. Since almost all product had to be specified and then sold through a distributor to a contractor, the two types of specialists had to cooperate to make sales in their territory grow. (See Figure 7.) The team-selling concept made the team self-directing. The sales associate with the most knowledge of a solution for a customer, or the best relationship with the customer, was selected by the territory team to handle that specific project. Working together as a team enabled all the sales representatives in a territory to increase their productivity (and their wealth).

At the same time, the commission percentage on the company's original line of raceways was lowered while the commission on new and innovative products with higher margins (sold primarily through specifiers) was raised. This was to encourage the field sales organization to change its behavior to better support the company's strategy. Recommending the change, Bartosch said,

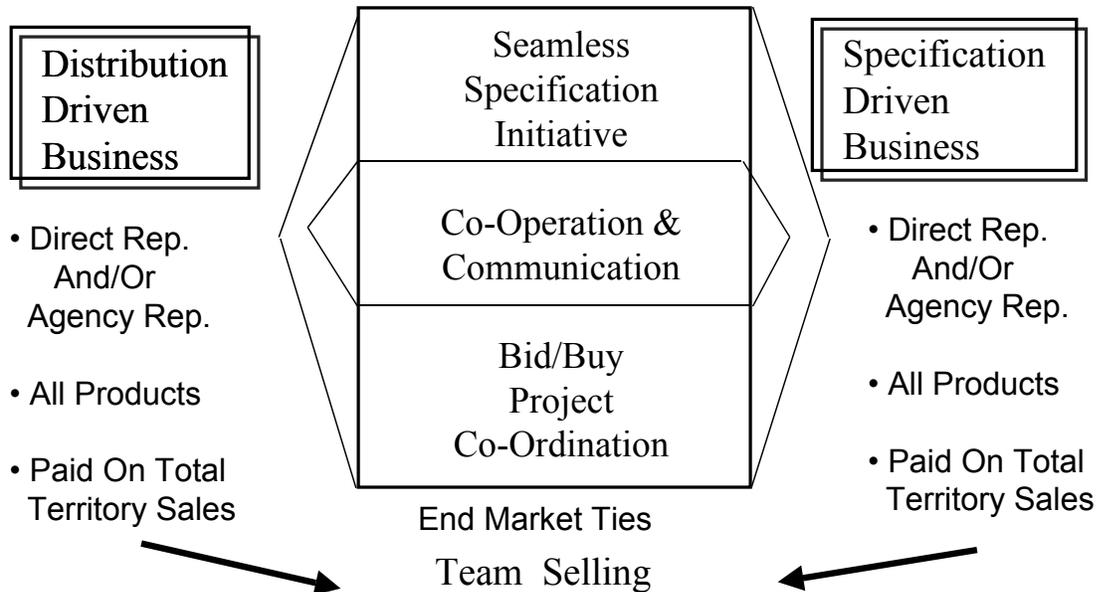
Our future depends on the sale of new and innovative products and the sales associates should take an income hit if all they sell are the old established products that are industry standards and require little effort to sell since all distributors stock them and most contractors can order them by number from memory. Presently, there is no incentive for a sales associate that is not hungry or does not have a feeling that he does not have enough wealth.

At the time of these changes, Bartosch went out on a limb and recommended that the company address the issue of consolidation in the specifier community. Architectural and consulting engineering firms were going national and the company was still paying locally. He recommended that the following condition be added to the compensation program.

If the sales associate is successful in having an owner, architect, or engineer specify a Wiremold product, but it ends up being bought in someone else's territory, and shipped to a job in a third territory, the commission would be split equally between the salesperson who got the specification, the salesperson in whose territory the material was sold, and the salesperson in whose territory the material was installed.

Figure 7
Presentation Graphic Describing Distribution and Specification Specialists
Used in Presentations to Distributor Industry Groups

Drive Specified End to End Solutions



Source: Company document. Used with permission.

Byrne was concerned about its being a big change to the compensation program and entailing risk. Fiume was concerned about cost, and Miller wanted to know what support would be needed from the marketing function.

Bartosch explained that while there was a risk, if the change were properly presented he believed that the company would not lose any sales associates provided that they were properly supported financially through the first few months of the new program. He went on to say that the sales force trusted the company to do the right thing and be fair. As to the cost, he believed that it would be about even with total sales compensation paid by Wiremold and Walker prior to the acquisition. The upside would come if the behavior modification portion of the program kicked in. The combination of lower compensation on well-established products coupled with higher compensation on new products would help drive sales of the many leading edge products that the company was bringing to market. Meeting with Bartosch, Byrne, Fiume, and Miller approved the change in commission percentages for older and new products.

Marketing Support for Team Selling. Miller, using kaizen teams made up of marketing and field sales associates, put together a complete training program for the distribution specialists that included the economics of distribution as well as distributor business practices. As part of the distributor incentive program known industry wide as Synergy^{SM, 16}, the distribution

specialists were now meeting with key distributors quarterly and all distributors every six months for in-depth business planning sessions. These sessions included not only plans for increased market penetration and the introduction of new and innovative solutions for customer needs, but also (on an equal footing basis of partner-to-partner) a discussion about the business function of a distributor, inventory (mostly how to have less of it and still serve the customers well), distributor profitability, and how to continuously increase profitability by selling Wiremold® product.

Simultaneously, the sales management team put together new training courses in project selling for the specification specialists. A key topic area was how the specification influencers (the owner, the architect, the consulting engineer, and the contractor) worked together to finalize a construction specification. Although this was a big change for many specification specialists, the in-the-field trainers played a vital role in helping the specification specialists assume their new roles. Because the in-the-field trainers managed the program, they could help the sales associates on a one-on-one basis when needed, and the company did not have to stage and manage large national training meetings.

The marketing function also reorganized how the field sales representatives were supplied with samples and literature. The company developed a web site to support its field sales marketing and technical communications programs. The web site provided information about the Synergy program in general, and secure access for all distributors to obtain their private information relating to the program. The web site also facilitated e-mail correspondence with all field sales associates, provided secure access to all reports and data concerning territory sales and commissions, and provided secure access to Synergy Program details for each of the distributors in a field associate's territory. Sales histories and the ability to compare distributors within a territory were available in the secured access section of the web site.

Next, to leverage the advantages of the web site in the field, Bartosch informed the field sales associates that they would have to become computer literate. Sales associates participated in the kaizen process to select the hardware and software that they would be using. The company provided laptop computers to the company's sales associates and informed the manufacturer's representatives that they would have to purchase laptops for their field sales personnel. Miller created a quotation program for the sales associates to use on their new laptops to price project business. This program helped sales associates in several ways. It helped them develop more complete answers to inquiries from specifiers. It helped them develop a complete bill of materials quickly. It reminded them to quote (and promote) "package pricing" when available. The program made suggestions of items that would be needed for a total solution (to maintain the value in the job for Wiremold). The bill of materials and price quotation could be faxed from the salesperson's laptop directly to the distributor. It turned out to be a tremendous productivity tool for the field sales associates, and it had the additional benefit to the company of eliminating errors when the distributor placed the order.

Implementing the program in the field required a series of training sessions that were to be conducted by the field trainers. One of the criteria that the kaizen teams had used to select the hardware and software had been that Bartosch (with over thirty years of experience in field sales) had to be able to use it: with no instruction. Bartosch decided to lead the first training sessions. After he surprised the field sales associates by doing so, they presented a sweatshirt to him with the message "You can teach an old dog new tricks."

Pricing

Field salespeople did not have the authority to change a published price or negotiate a discount from book prices. Only in the face of verifiable competition would Wiremold negotiate pricing. Sales associates who wanted to negotiate a price were required to obtain approval from a regional manager (who was allowed to vary pricing within well-defined small percentage limits and only on certain products). Pricing authority resided with Bartosch exclusively. He commented that the company only negotiated when they were presented with written proof of competition and then only if it was a like product:

We rarely meet a competitive price. Our knowledge of the project, the specifying influencer, the contractor, and the end user as well as our labor savings solutions insulate us from having to meet the competition dollar for dollar. The company regularly maintains book price in the face of competition and is favored with the order anyway. Less than 10 per cent of the company's business is a negotiated or special price versus an estimated 50 percent for the electrical industry.

Miller commented that all structural (published and unpublished) Wiremold prices were periodically adjusted to real market values, defined as competitive prices that also represented the value to the market of doing business with Wiremold. The company wanted to ensure that its structural prices were competitive and represented the value added by Wiremold because it wanted to avoid the customary price negotiations that were so prevalent in the electrical products industry. Miller stated,

This approach to pricing, setting both published and unpublished book prices at market level, is very different from the other players in the industry. In fact, the art of price negotiation is so pervasive that for most companies about 30 per cent of the field sales force time is spent negotiating pricing. In other words, if there are 100 people in the sales force, price negotiations may be consuming the equivalent in time of having about 30 salespeople spending all of their time negotiating prices! We viewed that as waste and established the equivalent of the "no-dicker sticker" approach to pricing, essentially freeing up the 30 people to sell more.

The company's pricing philosophy was based on its ability to deliver a high-quality product fast, allowing it to command premium prices. Miller commented that the company had never offered end-of-month or end-of-quarter discounts to clear inventory or generate cash. (These were known as "loader programs" in the company.) Bartosch noted that the combination of the continual flow of new product introductions, the financial benefits of doing business with the company, and the continued education of distributors on how to sell more had resulted in the company becoming the preferred supplier for the products it manufactured. Accordingly, the company had been able to post regular price increases, and had been able to obtain from the marketplace more than 98 per cent of the value of the total projected increases.

Professional Growth

The company had successfully migrated from a seller of parts to a provider of solutions. This could not have been accomplished without a tremendous increase in the professionalism of the field sales organization as described above. Bartosch and Miller were concerned that the sales

associates needed to be viewed as professionals (not just superior salespeople) by the specifiers who were so important to the company. Further, sales associates who continued their professional growth would benefit both themselves (more productivity, more wealth) and the company.

Accordingly, the company began a cooperative effort with Construction Materials Documents (CMD), a company that developed and maintained information on new construction projects nationwide. This information could be accessed electronically. CMD had the ability to separate, by sales territory, specific types of construction projects and feed information about them to the Wiremold sales force (starting with the conceptual or planning stage all the way through to and including the purchase decision stage of the project). CMD also had the ability to provide information about the owner; the specifying influencers; and the general, electrical, and data contractors. By cooperating with CMD, Wiremold was able to provide the sales associates with a road map of the key players in their individual territories. Bartosch said,

For the sales associate, this program eliminated the guessing about who to call on and where to spend his or her time.

Finally, the company contacted CMD and proposed a series of kaizens to be performed by representatives from both Wiremold and CMD. Their objective would be to develop a program to exactly meet Wiremold's needs that could also be marketed by CMD to other firms. Wiremold's representatives included associates from marketing and field sales. The result of the kaizens was a program that allowed Wiremold sales associates across the country to share information on a given project. If the project was being specified in Los Angeles but built in Des Moines, the sales associates in those two territories could share information and progress on that project. Projects could also be filed with the company's factories, alerting them to what the sales force was working on and what the approximate timing would be.

The company wanted to be positioned as an innovator. It wanted to build its reputation of foreseeing future trends and introducing highly flexible, aesthetically pleasing products that met current and future needs. Miller and the advertising manager began to change the look and placement of the company's advertising. The Wiremold brand moved to *Architectural Record* and *Engineering News Record* to reach the specification influencers. For as long as anyone could remember, Wiremold had participated in the National Electrical Contractor Association trade show. While the company continued that association, it also began to participate in the American Institute of Architects (AIA) and the Construction Specifiers Institute (CSI) expositions.

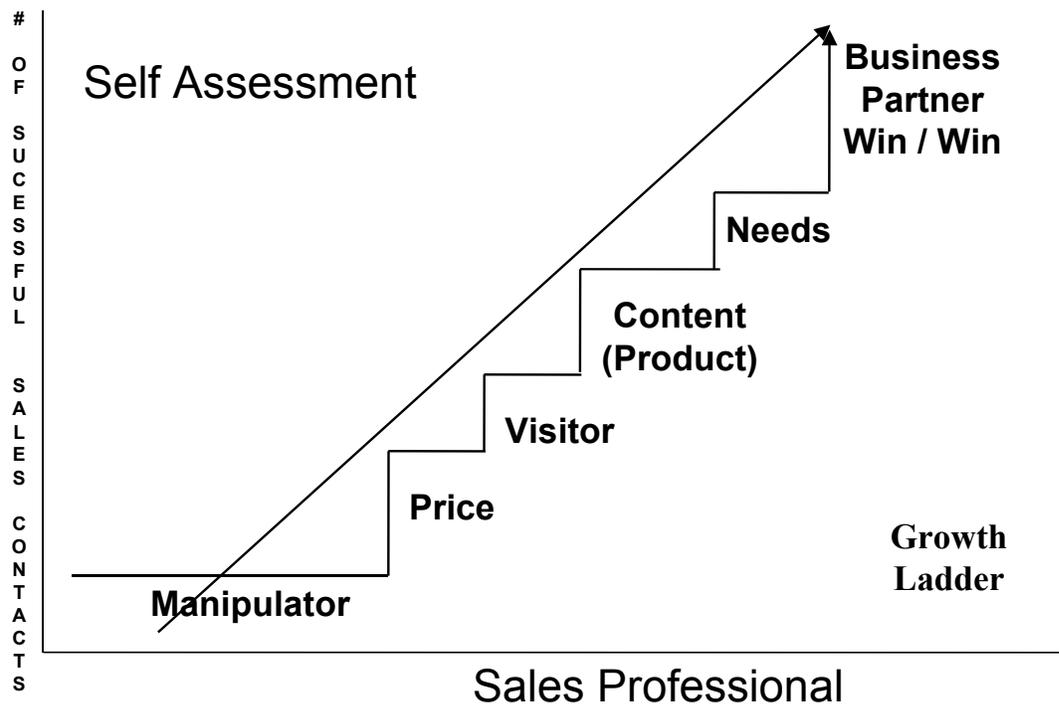
The field sales training group began identifying opportunities for the company's sales associates to join and/or make presentations to professional groups. The AIA was looking for presenters to give educational programs to their members covering various concepts in modern construction. While these presentations could not be manufacturer specific, company personnel soon realized that they could separate Wiremold from the pack by serving as presenters in these programs. The marketing department prepared a PowerPoint presentation and the field sales force was trained in the presentation skills needed to present in a non-Wiremold-specific manner. Soon, over 250 presentations had been made by company field sales associates to AIA groups across the country. The program that the company developed was accepted by the AIA as providing continuing education credits for their members. (Every AIA member was required to obtain sufficient continuing education credits each year to maintain their license to practice.) By becoming qualified to give these presentations and participating in the AIA programs, sales associates were able to continue growing professionally themselves, and serve the AIA.

The company's association with CSI led to the discovery of training programs for sales associates in the area of construction documents and technology. These professional certifications enhanced the professionalism and the growth of the sales associates. Members of the specifying community recognized sales associates who had achieved these certifications as experts. The company actively promoted and paid for the pursuit of these certifications by the sales force. When 35 per cent of the sales force had successfully completed CSI certification courses, Bartosch made earning at least one CSI certificate a condition of employment.

About this time, Bartosch started the concept of the professional growth ladder (see Figure 8) as a method of measuring the professional growth of an individual sales associate. The extensive training of the previous four years had still not moved some associates out of their sales technique comfort zone. By beginning to measure the predominate tactic an associate used in selling, sales managers could get a baseline to help each associate grow from the (normal) manipulative technique of selling to becoming a business partner with the customer, specifier, or distributor. Manufacturers representative firms were also required to use the growth ladder for their sales associates.

Bartosch believed that selling was a profession and that sales associates either grew in their profession or went elsewhere, preferably to a competitor. The ladder proved to be a valuable tool not only for measurement, but for motivation as well. The sales associates quickly found that Bartosch and the company were serious about providing whatever training or tools each associate needed to grow. The company's field sales associates, always highly regarded by the distributors, customers, and specifiers, had grown themselves professionally into a position of respect from their peers.

Figure 8
Excerpt from Presentation Graphic Describing the Professional Growth Ladder



Source: Company document. Used with permission.

The Next Steps

At the end of their discussion with Art Byrne and Orry Fiume about changes in the national and global marketplaces, Ed Miller and Scott Bartosch asked Art and Orry for guidance as to whether they were moving too fast, and whether the continuing evolution that they were contemplating might be too revolutionary for the rest of the company. Specifically, they were concerned that moving a portion of the field sales associates to serving certain national and international companies without being bound by territorial restrictions might be too radical a step to contemplate.

After some further discussion, Art Byrne's response was,
Sounds as if you two have your plate full. But let's continue to use the kaizen process for continuous improvement, and let's make sure and steady progress.
If it's the right thing to do, we'll find a way to do it.

Orry Fiume nodded in agreement.

Miller and Bartosch looked at each other, nodded, and went back to work to define the issues that would need to be considered.

Endnotes

¹ When Art Byrne arrived at the company as CEO, he abolished most formal titles and all employees were known as "associates." Thus, at this time the company began referring to all of the members of its field sales force as "sales associates."

² Wiremold is a registered trademark of The Wiremold Company.

³ For more information about the effects on the company of consolidation in the electrical distribution industry, see the case entitled "The Wiremold Company: Wiremold Distributor Incentive System," Martha C. Fransson, Robin Chase, Edward B. Miller, and Scott M. Bartosch, *Business Case Journal*, Vol. 12, Issue 1 (Summer 2004).

⁴ The prize was named after Shigeo Shingo, a consultant to the Toyota Motor Company, who developed the SMED system (Single Minute Exchange of Dies) that made large reductions in manufacturing setup times possible. Reduced setup times in turn made quick change-overs on the production line possible, a key element in JIT (just-in-time) manufacturing.

⁵ Kaizen is a Japanese word meaning continuous improvement. Kaizen activities are undertaken by teams or people drawn from different areas or disciplines of the company. After initial kaizen training, Wiremold had a policy that any trained employee might be assigned to any kaizen event anywhere in the company. Further, all employees were expected to keep their kaizen skills up to date by participating in at least one kaizen event per year.

⁶ Byrne believed very strongly that all work had dignity. Therefore, the organization was very flat and all employees were referred to as "associates."

⁷ For a broad discussion of Lean thinking and how some of the leaders applied it, see James P. Womack and Daniel T. Jones, *Lean Thinking: Banish Waste and Create Wealth in Your Corporation*, 1996, New York, Simon & Schuster.

⁸ A *specifier*, as the term is used at the company, is any entity involved in specifying Wiremold product (part numbers, quantities, colors and styles, delivery schedules, etc.). Most specifiers (who may be architects, consulting engineers, building owners, even interior designers) never take title to or pay for the goods, although some specifiers (usually contractors) do. In this terminology, distributors are not specifiers, they are the company's marketing partners.

⁹ For more information about the company's product development process, see the case entitled "The Wiremold Company: Listening to the Voice of the Customer," Martha C. Fransson, Peter J. LaPlaca, and Steven M. Maynard, *Business Case Journal*, Vol. 12, Issue 1 (Summer 2004).

¹⁰ The Wiremold Production System was a classic JIT or Lean "pull" system. Goods were made in response to marketplace demand. For more information about the system and how distributors used it, see the case entitled "The

Wiremold Company: Wiremold Distributor Incentive System,” Martha C. Fransson, Robin Chase, Edward B. Miller, and Scott M. Bartosch, *Business Case Journal*, Vol. 12, Issue 1 (Summer 2004).

¹¹ The Cycle Trucks were the company’s transportation system to deliver product to every distributor on a weekly basis. At the time of the case, these trucks (able to transport the company’s longest products: some raceway came in very long lengths: without risk of damage) were owned by the company and the drivers were company employees. The Cycle Truck Program was a significant source of competitive advantage because it enabled the company to eliminate bulk shipments and delivery by common carrier. The company achieved full truckloads by combining deliveries to several distributors and making deliveries according to prespecified routes. For more information, see the case entitled “The Wiremold Company: The Wiremold Distributor Incentive Program,” Martha C. Fransson, Robin Chase, Edward B. Miller, and Scott M. Bartosch, *Business Case Journal*, Vol. 12, Issue 1 (Summer 2004).

¹² Ibid. This case demonstrated how Wiremold helped its distributors improve both their profitability and their absolute profit levels by improving the inventory turnover ratio, freeing up capital to carry a broader line of inventory, and reducing investment in unneeded inventory.

¹³ Walker and Walker Systems are registered trademarks of the company.

¹⁴ A *manufacturers representative*, operating either as a single individual or as a firm, is an independent entity that sells products for its clients (the manufacturers) to its own customers (who may be distributors or endcustomers). Manufacturers representatives are typically compensated through a 100% commission basis. Typically they do not hold inventory; they merely act as an independent sales organization.

¹⁵ A *spec* is a complete description of the functional and aesthetic requirements for the item or system to be installed in a building. The spec may include drawings. Documents pertaining to construction projects require contractors to abide by all specifications in the building plans and documents.

¹⁶ Synergy is a registered service mark of The Wiremold Company.