
SALES ORGANIZATION AND FUNCTIONALITY IN COMPANIES ON THE INDUSTRIAL MARKET IN BOSNIA AND HERZEGOVINA

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Abstract

Selling and sales management is a new discipline and its importance is growing since companies are becoming more and more marketing oriented. The problem of modern business is not how to produce but how to sell the product. It means that there is no successful personal sale without effective sales management because more and more products need to be brought closer to the customer in the selling process. In this paper I will focus on one aspect of selling and sales management, sales organization and functionality. There are two methods of sales organization and functionality, empirical method and scientific method. The purpose of my research was to find out if the sales organization and functionality in Bosnia and Herzegovina companies was in accordance with the scientific method or empirical method. Despite the fact that the sources on selling and sales management are mostly focused on B2C (business to customer) market, my research was focused on B2B (business to business) market companies in order to find out if the theoretical aspects on sale and sales management on B2C market are applicable on B2B market. The objects of my research are five leading companies on Bosnian and Herzegovina industrial market.

Keywords: sales management, sales organization, marketing orientation, scientific method, empirical method

1. INTRODUCTION

Selling and sales management is a new discipline. Its importance is growing since companies are becoming more and more marketing oriented. A personal sale is the final act of the marketing process by the act of selling the product. The problem of modern business is not how to produce but how to sell the product. It means that there is no successful personal sale without adequate sales management. Effective sales management has a key role in the success of a company, because more and more products need to be brought closer to the customer in the selling process.

In this paper I will focus on one aspect of selling and sales management, sales organization and functionality. The purpose of my research was to find out if the sales organization and functionality in Bosnia and Herzegovina companies was in accordance with the scientific method. Despite the fact that the sources on selling and sales management are mostly focused on B2C (business to customer) market, my research was focused on B2B (business to business) market companies in order to find out if the theoretical aspects on sale and sales management on B2C market are applicable on B2B market.

2. SALES ORGANIZATION AND FUNCTION ON THE INDUSTRIAL MARKET – THEORETICAL ASPECT.

Selling is an act of product and service realization which enables return of investments, making profit, benefit as well as maintaining and improving of an operating business (Kukić et al, 2007). As a category it has two dimensions: as economical category and as law category (Tihi et al, 1996). The economical category is more important, and in that context, selling is a goods for money trade process, a business function in company as well as sales department in company (Tihi et al, 1996). In this paper I will treat selling as function in company and as sales department. In marketing oriented companies sales function is a part of marketing function as it is illustrated in Figure 1.

As a part of marketing function, selling has three tasks (Grabovac, 2005):

- Direct communication with customer in order to meet their wishes and needs.
- Realization of product and service, which means finding potential customer to sell the product to.
- Earning money in order to cover the costs and make profit.



FIG.1 - SELLING AS A PART OF MARKETING
Source: Adapted from Tihi et al, 1996

As a part of general management, **sales management** has a task to organize and realize sales successfully. In the marketing concept, sales management has the same functions as general management but those functions are focused on sales function (Grabovac, 2005). **Sales organization**, as part of sales management, must be set up in a manner to enable efficient realization of the sales plan (Grabovac, 2005). There are two methods of sales organization (Grabovac, 2005):

- **Empirical method**
- **Scientific method**

The **empirical method** is based on using your own or other people's experience in sales organization. This method is not complete but it is often used.

The **scientific method** is based on using science achievements in sales organization. There are several scientific methods of sales organization but all are based on analytical method. It assumes starting from complete organization which will be divided in business functions. One of the functions is the sales function, which is divided in sub functions and vacancies.

There are several sales organization models:

- Organization by product
- Organization by territory
- Organization by market
- Developed model
- Team organization
- Combined model

Organization by product is the model where sales function is divided in accordance with the type of products or by product line. It means that in one group there are products which are the same or similar. This model is presented in Figure 2.

Organization by territory is based on dividing sales function by territory where company sells its products as it is presented in Figure 3.

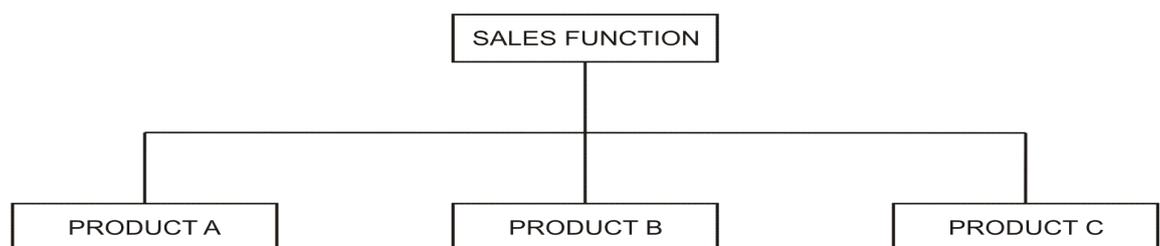


FIG. 2 - SALES ORGANIZATION BY PRODUCT
Source: Adapted from Grabovac, 2005



FIG. 3 - SALES ORGANIZATION BY TERRITORY
Source: Adapted from Grabovac, 2005

Organization by market is based on sales organization by market segments. Market segments can be manufacturers, wholesalers, retailers, big consumers, small shops etc. as it is presented in Figure 4.

Team organization assumes organizing sales team for individual customer or customer group (Lovreta et al, 2001). This model, also known in organization theory as matrix model is presented in Figure 5.

Developed model of sales organization is a model where there is no sale function as department but the sales function is organized (developed) through several departments. One example of this model is presented in Figure 6.

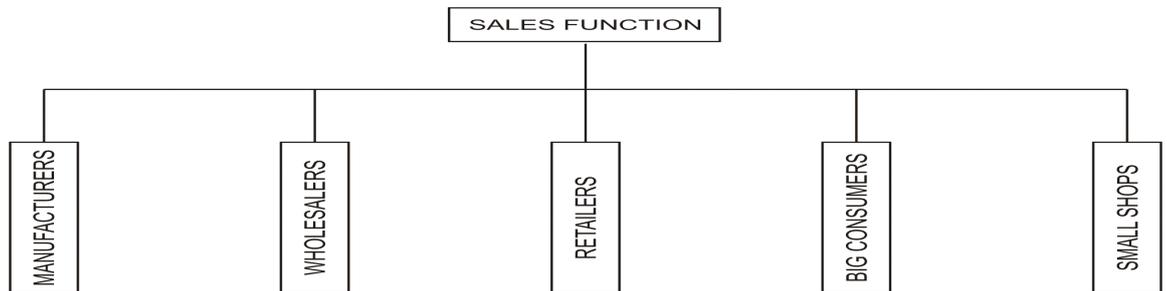


FIG. 4 - SALES ORGANIZATION BY MARKET
Source: Adapted from Grabovac, 2005

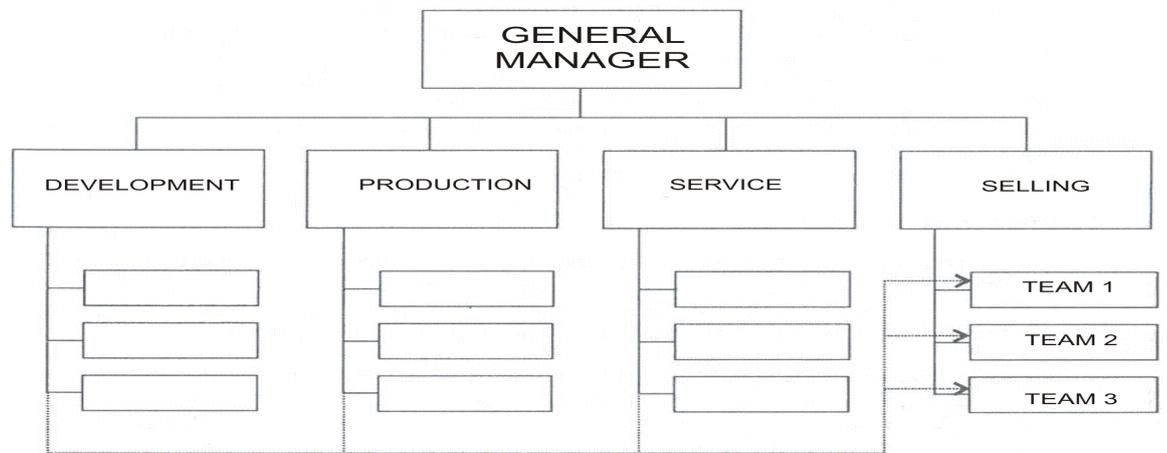


FIG. 5 - SALES ORGANIZATION BY TEAM
Source: Adapted from Lovreta et al, 2001

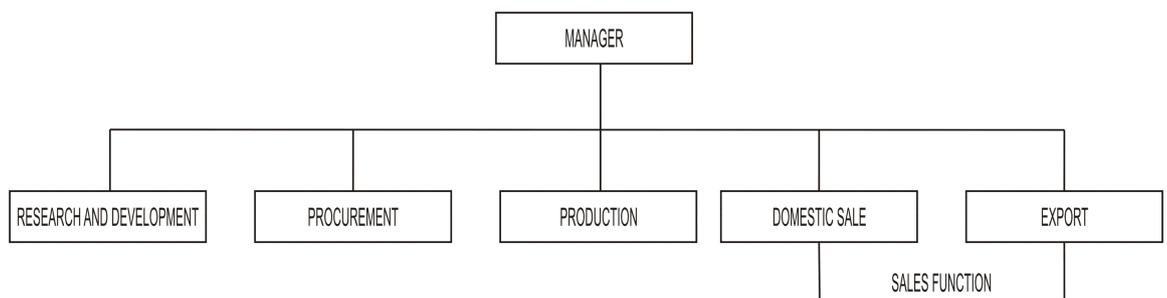


FIG. 6 - DEVELOPED MODEL OF SALES FUNCTION
Source: Adapted from Sikavica, 1991

Combined model is a combination of the above mentioned models. In this paper I will present two combined models such as in Figures 7 and 8.

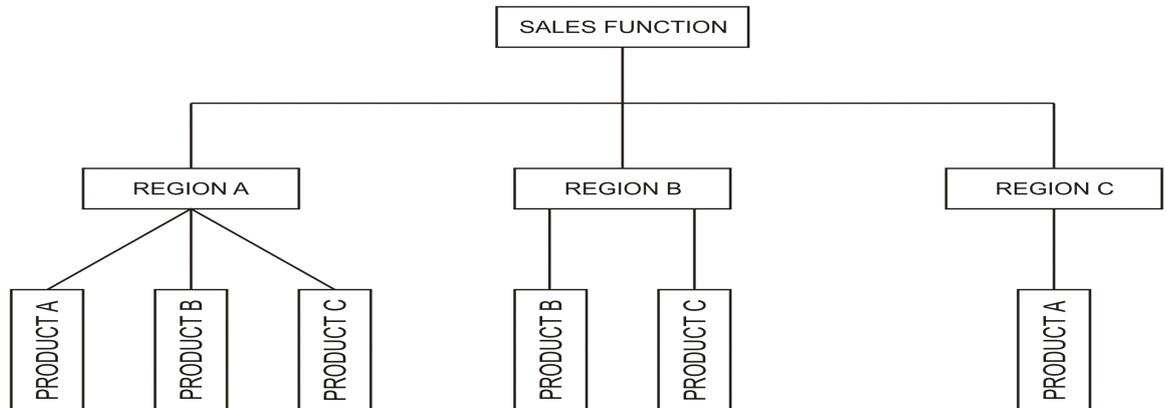


FIG. 7 - COMBINATION OF TERRITORY AND PRODUCT MODEL

SOURCE: ADAPTED FROM GRABOVAC, 2005

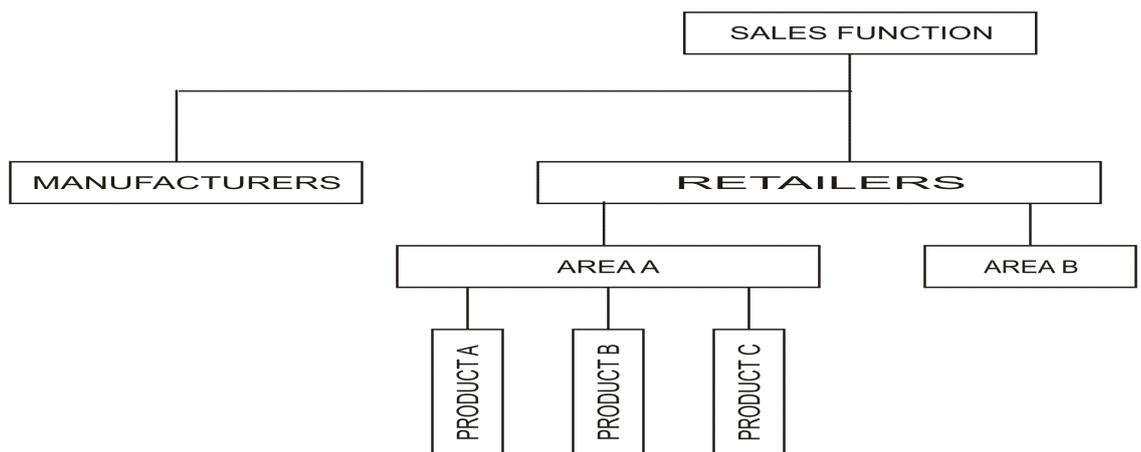


FIG. 8 - COMBINATION OF MARKET AND PRODUCT MODEL

SOURCE: ADAPTED FROM GRABOVAC, 2005

Buying process on B2B market is a very complex process. It results in the fact that selling on a B2B market is also a complex process, which presents the engagement of the complete selling team, not only one salesman (Jobber and Lankaster, 2006). This is very important moment for my research as it will be seen in the following text.

3. METHODOLOGY

This paper is based on case study method and objects of my research were five industrial companies from Bosnia and Herzegovina: Energoinvest dd Sarajevo, Energoinvest TDS, Energoinvest SUE, Energoinvest RAOP and TEO Blažuj. Beside case study method I used comparative method to compare theoretical sales organization model with models used in these companies. The purpose of this paper was to show in practice

that selling on B2B market is a complex project and that sales organization and functionality is in accordance with science method.

4. RESEARCH RESULTS

4.1. Energoinvest dd Sarajevo

Energoinvest dd Sarajevo is one of the most successful and well-respected engineering companies with dominant export orientation with scope of activities in the fields of design and realization of complex objects in the country and abroad. The production is based on manufacturing by order. The organization structure of the company is presented in Figure 9. Engineering sectors are profit centers in the company which means that sales function is concentrated in these sectors. Bureau for Marketing gives commercial support to these sectors through Commercial Affairs Services in the way of identification potential jobs in the country and abroad. Engineering sectors are organized in the same way and divided into four departments: **Bidding department, Project implementation department, Design department, Project implementation commercial support department**. Sales function is developed in all these departments and organized on base of team/matrix model as it is shown in Figure 10.

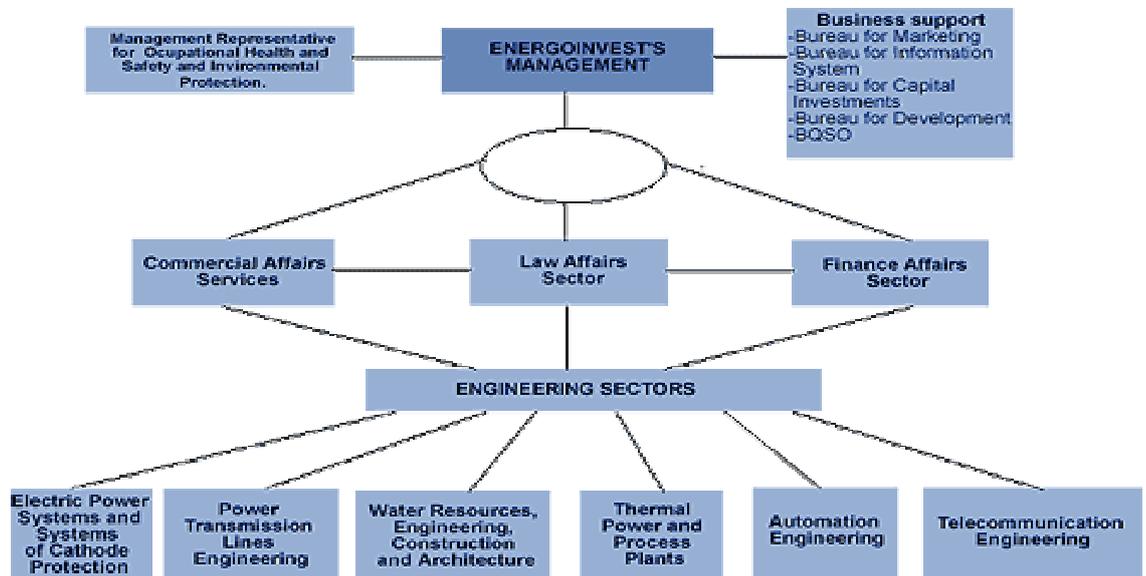


FIG. 9 - ORGANIZATION STRUCTURE OF ENERGOINVEST DD SARAJEVO

After this analysis the following conclusions can be made:

- Sales function is organized as a combination of developed model and matrix model
- Sales function and marketing function work in coordination

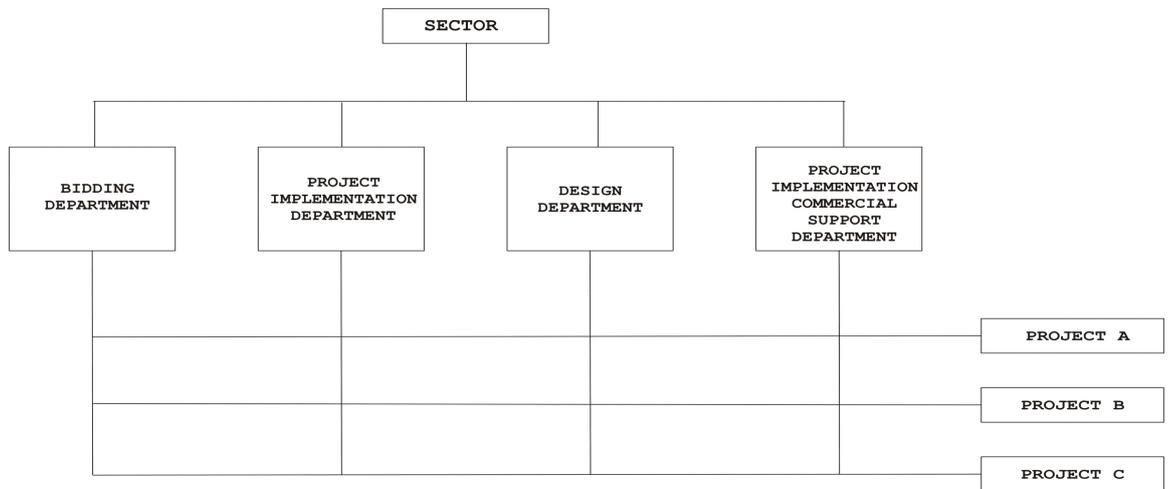


FIG. 10 - SALES ORGANIZATION IN ENERGOINVEST DD SARAJEVO

4.2. Energoinvest RAOP

Energoinvest RAOP is a leading factory in manufacturing equipment for transmission and distribution of electric energy. It offers wide range of serial products such as circuit breakers, switchgears and instrument transformers. Organization structure is presented in Figure 11.

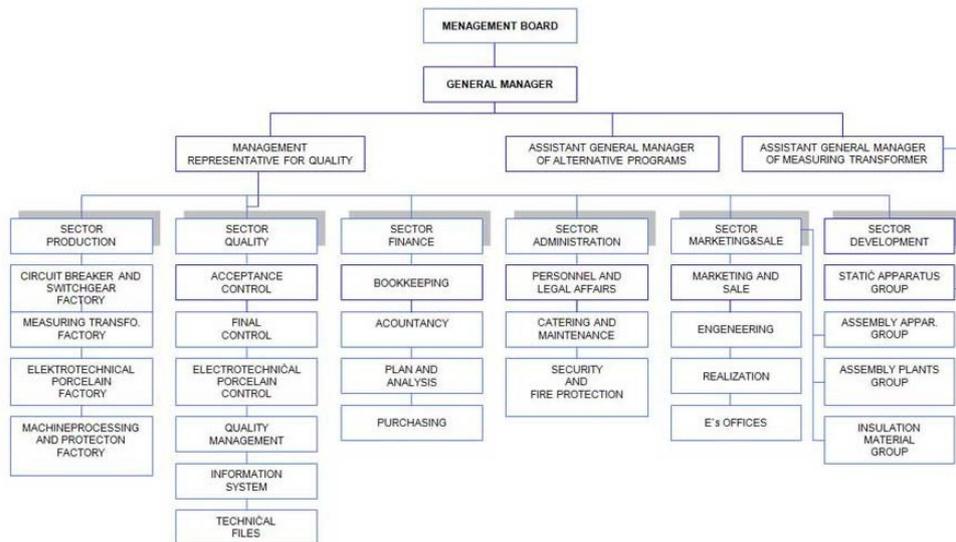


FIG. 11 - ORGANIZATION STRUCTURE OF ENERGOINVEST RAOP

In Energoinvest RAOP, selling is a complex project based on manufacturing by order. Sales function is developed in the following sectors: Sector Marketing & Sale (Engineering), Sector Development, Sector Finance (Purchasing), Sector Production (depending on product type), Sector Quality (Final Control) and Sector Marketing & Sale (Realization) as it is presented in Figure 12.

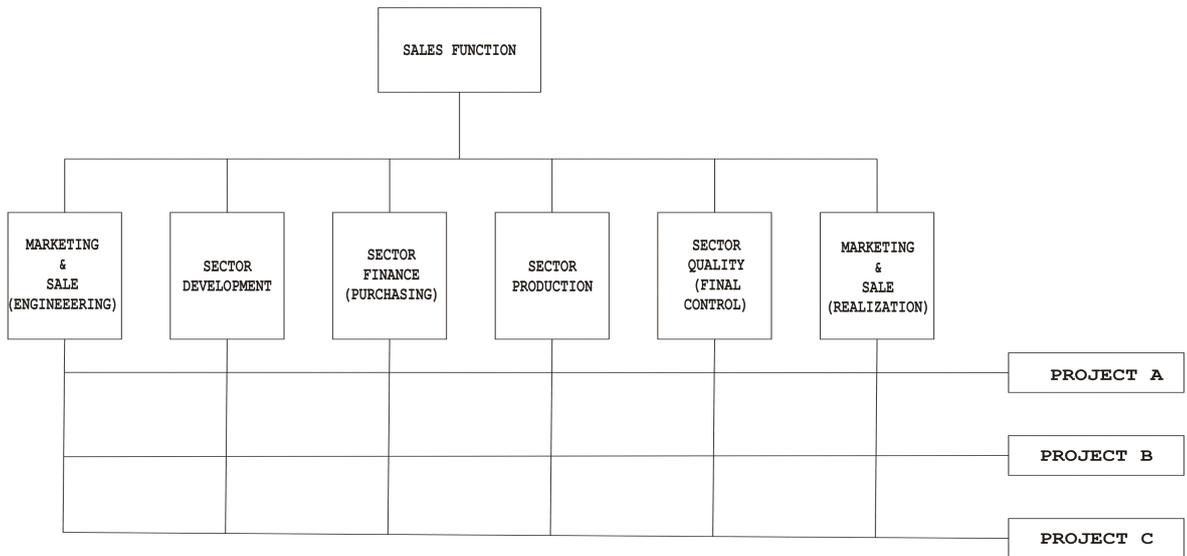


FIG. 12 - SALES ORGANIZATION IN ENERGOINVEST RAOP

After analysis the following conclusions can be made:

- Sales function is organized as a combination of the developed and matrix model
- Marketing function and sales function work together.

4.3. Energoinvest TDS

Energoinvest TDS is the leading factory in manufacturing equipment such as transmission line towers, telecommunication towers, pole substation and supporting structures. Organization structure is presented in Figure 13. In Energoinvest TDS, selling is a complex project based on manufacturing by order. Sales function is developed in the following sectors: Development division, Sales division, Product division, Purchasing division and Quality control division as it is presented in Figure 14.

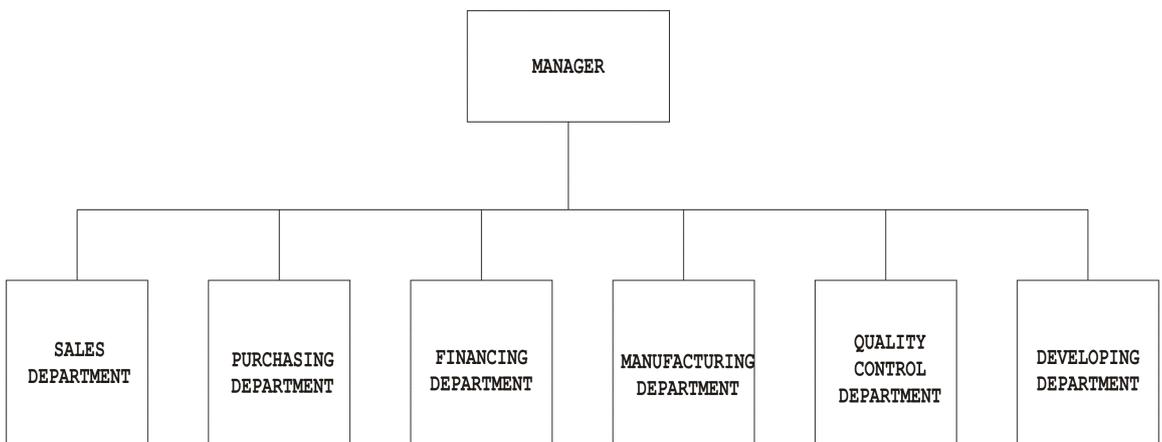


FIG. 13 - ORGANIZATION STRUCTURE OF ENERGOINVEST TDS

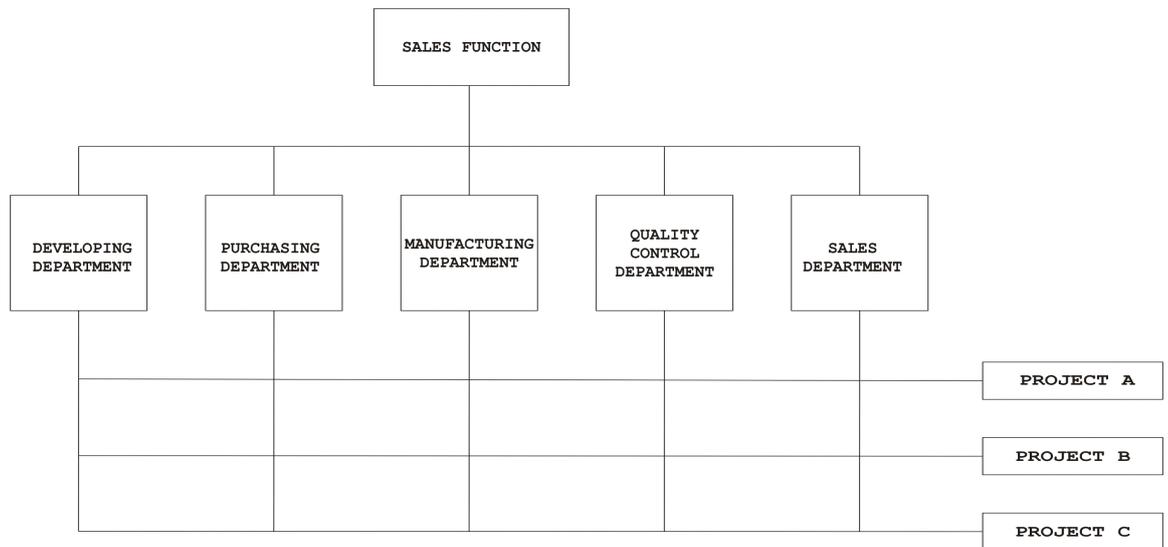


FIG. 14 - SALES ORGANIZATION IN ENERGOINVEST TDS

After analysis following conclusions can be made:

- Sales function is organized as a combination of developed and matrix model
- There is no marketing function.

4.4. Energoinvest SUE

Energoinvest SUE is a leading factory in engineering, design and production. The company’s program is wide, including aggregates, UPS systems, converters and batteries. Organization structure is presented in Figure 15. In Energoinvest SUE selling is a complex project based on manufacturing by order. Sales function is developed in the following: Purchasing department, Production department, Design department, Bidding department, Realization department as it is presented in Figure 16.

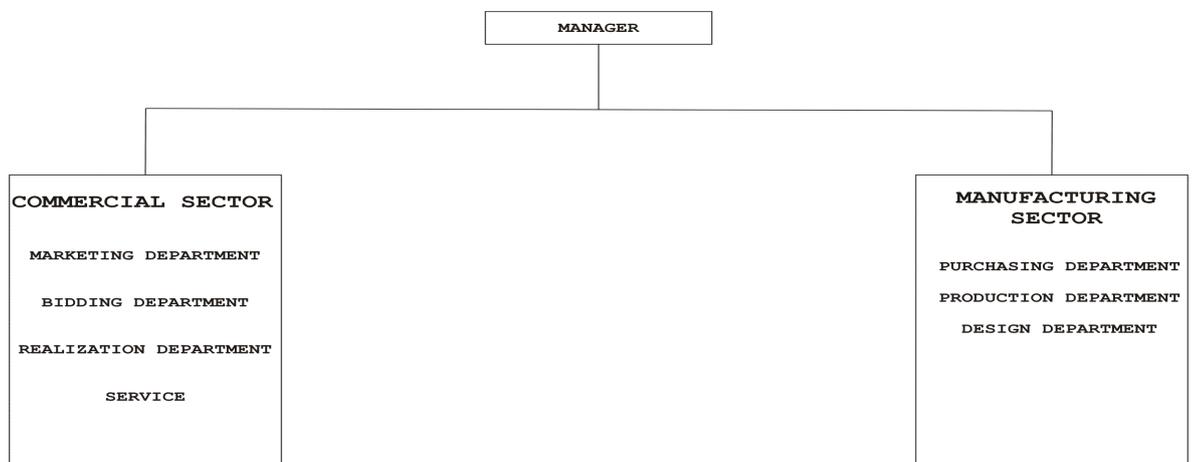


FIG. 15 - ORGANIZATION STRUCTURE OF ENERGOINVEST SUE

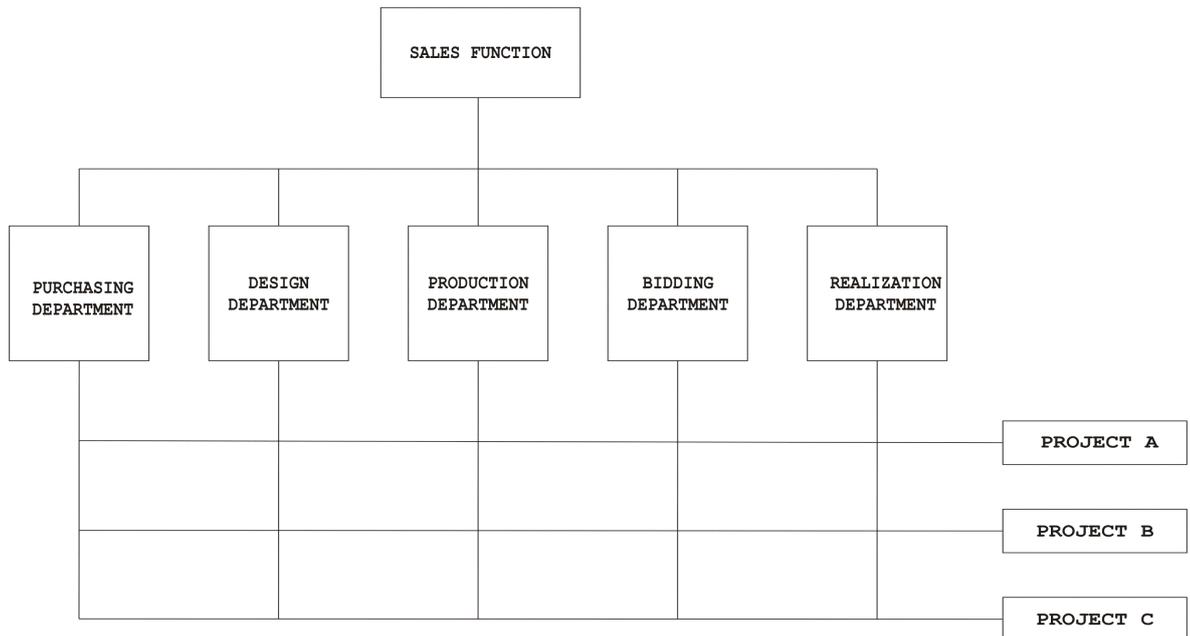


FIG 16 - SALES ORGANIZATION IN ENERGOINVEST SUE

After analysis the following conclusions can be made:

- Sales function is organized as a combination of the developed and matrix model
- Marketing function and sales function work in coordination.

4.5. TEO Sarajevo

TEO Sarajevo is a company with long tradition in manufacturing low voltage switchboards. The products are applicable in industry of distribution of electrical energy. The most important clients are telecom operators and energetic operators. The organization structure is presented in Figure 17. In TEO Sarajevo, selling is a complex project based on manufacturing by order. Sales function is developed in the following departments:

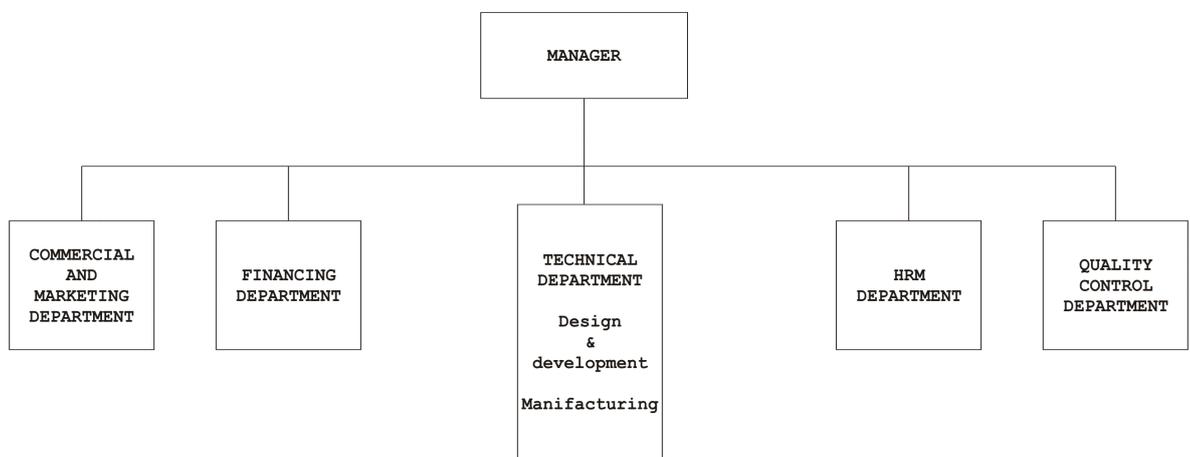


FIG. 17 - ORGANIZATION STRUCTURE OF TEO SARAJEVO

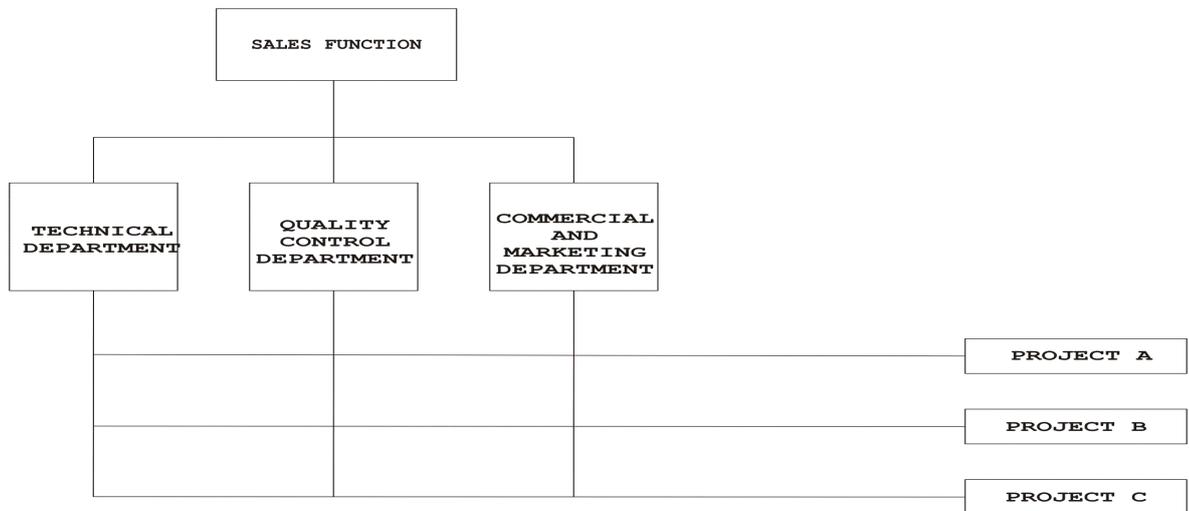


FIG. 18 - SALES ORGANIZATION IN TEO SARAJEVO

After analysis, the following conclusions can be made:

- Sales function is organized as a combination of the developed and matrix model
- Marketing function and sales function work together.

6. CONCLUSIONS

The purpose of this paper was to find out if the sales organization and functionality in Bosnia and Herzegovina industrial companies is based on the scientific or empirical method. For that purpose I have done some research in five temporarily leading companies on the BiH industrial market. As it can be seen from my research, in industrial companies selling is not just an exchange process or business function, but a complex project mostly based on manufacturing by order. The reason for this is that products in industrial companies are complex, from serial products to complex systems based on system engineering. I have also presented that industrial products are with variable technical characteristics despite the fact if it is same type of product. And finally selling is a closed process which starts with customer inquiry and ends with the final realization of product.

In the end, we can conclude that in accordance with our research, the sales organization in Bosnia and Herzegovina industrial companies is based on the scientific method as a combination of the developed organization model and matrix model. On the other hand, sales and marketing function works together or in coordination except in one company which means that sales functionality is in accordance with the scientific method in four companies but not in one.

Finally, it can be concluded that my hypothesis is partly confirmed and that sales organization and functionality in Bosnia and Herzegovina industrial companies is mostly in accordance with the scientific method.

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