

In the aftermath of a major acquisition, everyone at TopTek has been looking forward to a festival of synergistic selling. So why isn't it happening?



Cross Selling or Cross Purposes?

by Ford Harding

"HOW WAS YOUR WEEKEND?" John asked.

"Just fine. We got away to the lake."

"Hey, that's right—you have a place up there. How long have you had it now?"

This was John's standard way of getting to what was on his mind. Anna decided to cut directly to the heart of the matter. "About three years. So what's up, John?"

Anna Tucker was officially the vice president for human resources at TopTek, maker of software for middle-market companies, but no more than half her time was devoted to HR. The rest, the fun part, was spent as CEO John Vaunt's troubleshooter. He gave her all of the problems that didn't fit neatly

HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.

anywhere else and those he didn't want messed up.

"We had dinner with Ric Gudalskis and his wife on Saturday," John began. "Do you know Ric? He's CIO at DigiDeal Stores, which has been a good account. He said he thought I should know something: Since the acquisition, we've been driving him nuts. Our people are in there trying to sell additional projects left and right. Ric feels we're churning the pot, trying to stimulate demand for a pace of change that the company can't handle, and taking up too much of management's time while we're at it. I called Peter Lee on Sunday to ask him about it, and he gave me an earful. I don't want to bias you—you should hear it from Peter yourself—but I think our sales compensation structure may be broken."

"That could be part of the problem," Anna offered cautiously.

"Whatever it is, would you look into it? With the sale of product flattening out, we need to sell more services; that's where the growth is. But we can't abuse our customers in the process."

Sins of Commission

Nine months earlier, TopTek had acquired the systems-integration and consulting firm Rossberg Lee, which had been one of TopTek's alliance partners. Both parties had stood to gain from the marriage. TopTek hoped to snag more of the software sales that were a natural by-product of a Rossberg Lee consulting engagement. And Peter Lee, the former head of Rossberg Lee and now executive vice president of the Solutions division at TopTek, was excited about TopTek's foot in the door at a much broader range of companies. The newly merged organization had spent a lot of time developing "solutions"—standard bundles of products and services to take to market. More customized and expensive offerings were also available.

But in many ways the two organizations had worked better as partners

than as parts of the same company. Anna knew that John Vaunt's concern about the consultants was only the latest sign of friction. So when she met with Peter later that day, she wasn't surprised to get an earful herself.

Peter paced the floor of his office while they talked. It was clear that he had been stung by John's query. "Gudalskis isn't really concerned about all

"Frankly, the sales force only knows how to push product. Selling a solution designed to meet a client need takes a consultant's perspective."

those calls to his people," he said defensively. "He just doesn't like the fact that I play golf with his boss. CIOs don't like it when consultants have better access than they do." Anna couldn't help glancing toward the corner of Peter's office, where a display case housed several ornate golf trophies. "John should recognize that it's my relationship with Gudalskis's boss that got us that new work last month. I'm talking about the HR package they signed up for. The account manager had nothing to do with it—though, of course, that won't stop him from collecting his commission."

"So we don't need a sales force?" Anna asked, knowing Peter could take a gentle jabbing.

"The sales force is great at getting us into new accounts. But once a company has signed up for the basic financial package, they don't have the technical knowledge or the day-to-day contact that will lead to add-on business. Ed Forsythe practically camped out at DigiDeal for the final month of the roll-out of the basic package," Peter said, referring to the principal consultant on the engagement. "I was there a lot myself. That's how you get the ties that bind. And it's how your consultants get to really understand a client's business. Frankly, the sales force only knows how

to push product. Selling a solution designed to meet a client need takes a consultant's perspective."

"OK," Anna said, sighing, "but we can't just leave it at that. Otherwise, what was the point of our combining forces?" She took a breath and forged ahead. "Peter, you just made a remark about a commission. Is there something out of whack about our incentives?"

"Well, think about it," Peter said with a scowl. "The current compensation structure rewards the sales force for all the work sold into an account forever, regardless of whether they contributed to the sale. Our people—the consultants in Solutions—have to sell to keep billable, but the commissions go to the salespeople who won the accounts, even if it was years ago. Does a structure like that make any sense?"

"The salespeople's contributions are important, though," Anna said.

"Of course they are. Sometimes. But there are big holes." Peter glanced toward the door, where his assistant was mouthing a name and indicating a telephone with her thumb and pinky. "Excuse me," he said, striding toward his desk. "That's a call from a client that I just have to take. But I'll tell you who you should talk to: Lelia Chase. She's a Solutions person who calls into accounts directly—just what Gudalskis was complaining about."

Sins of Omission

Lelia was in charge of the consulting practice that implemented the facilities package of TopTek's major product suite. Anna welcomed the chance to talk with her. Lelia was professional and coolheaded; she could be counted on to be objective. Still, it was a strange recommendation. Implementations of this assemblage of software and services for customers' facilities management func-

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tions accounted for a small fraction of the company's revenue. Few customers signed up for it.

The two arranged to meet in the company cafeteria, which had been upgraded since the merger and now served gourmet meals that were worth staying on campus for. Lelia picked at her Caesar salad. "So, you've been asked to look at the way work is sold and rewards are given out. My condolences," she said. "You're a sucker for all the choice assignments, aren't you?" This was Lelia's way of acknowledging Anna's role as troubleshooter. Anna found it flattering.

"Why do you think Peter asked me to talk with you?" Anna asked.

"Because if I waited for the sales force to sell work for us, our practice would starve."

Anna, in the middle of a bite, could only register a surprised expression. Lelia elaborated. "The price of a facilities implementation is about a quarter of the price of any other package. Our projects are tiny. But it's going to take the account rep just as much time to sell work for us as it would to sell any other package. He has to build relationships with people in the client's facilities department – people he has no other reason to get to know. He'd much rather be selling a juicy financial, HR, or sales package instead."

"So you have to sell it."

"Right. I don't blame them for being uninterested. But I can't wait around. I won't be able to hang on to the team I've built up over the past five years if I can't keep them busy. None of us will get our bonuses if we don't reach our utilization targets. So I sell."

"I sense you'd rather not."

Lelia shrugged. "I don't mind. Besides, I have some advantages over the account reps. I deal with facilities people every day and understand their problems. I belong to the right associations. The account reps don't really understand what we do. There are several small units in Rossberg Lee – excuse me, I mean in Solutions – that suffer from this problem. I've asked if the company is really interested in our practice areas



and I'm told that it is, that we are needed so the firm can offer a competitive array of products and services."

Anna brought up the question of commissions, asking if it bothered Lelia that account reps got a cut of the work she sold.

There was a long pause. "I don't understand it," Lelia said. "But I figure the higher-ups have their reasons."

She doesn't want to alienate the account reps, Anna thought, but the system seems crazy to her.

Lelia continued: "In this market, facilities software isn't all that popular

and, as you're aware, I pushed the acquisition of his firm. But he doesn't understand sales."

"I think Peter's a pretty good salesman, based on his record," Anna said.

"Sure he is. One of the best. It's because of Peter and one or two others that we bought Rossberg Lee. I mean he doesn't understand what it takes to manage a sales force. For all Peter's posturing, Solutions sales are only 20% of the business. If we're going to make our numbers, we need hard-driving salespeople who are amply rewarded for their efforts. The Solutions camp can't

well at DigiDeal, so he devotes more time to Southland Baking, which, by the way, is about to sign up for an HR and a planning implementation this month. You want to penalize him for doing the right thing? Ed Forsythe is the project principal on that account, too. You think he worked hard on it? He was too busy at DigiDeal to be bothered with Southland. But Al knows you have to stay in front of your customers."

"Peter said Ed practically lived at DigiDeal for a month to help with that rollout."

"Look, the consultants get compensated, and *well* compensated, on utilization. They didn't do much to sell the extension work at Southland, but they'll still get rewarded for the work they do there. They want it both ways."

"How much of the first sale at DigiDeal was product and how much was services?" Anna asked.

"I can tell you've been talking to Peter. He's always accusing our people of 'pushing products rather than crafting solutions'—nothing pejorative about that language, is there? But he's got a point. If you want to do something helpful, find out how to train account reps to sell solutions. And while you're at it, train Peter's consultants to sell anything at all. At least my guys can sell product. Most of the consultants couldn't sell sunscreen at a nudist colony."

Anna laughed, in spite of herself. The idea of some of Rossberg Lee's more introverted techies in that kind of situation was amusing, she had to admit.

Searching for What Works

At the cabin by the lake that weekend, Anna found her thoughts turning continually to the conversations she'd been having. On Saturday evening, during a walk along the water's edge, her husband noticed she was preoccupied. "What's wrong?" he asked.

She tried to explain, though she knew he often found her business life mystifying. "Maybe the merger just isn't working," he ventured.

Maybe it's not, she thought as she watched the fireflies in the gathering darkness. But no, the logic behind it still

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with clients. But when companies are growing, there's a lot of interest. I have to keep us going until the market turns and interest heats up again. Then, I suspect, the sales force will notice us.

"The funny thing is that before the merger, I was always considered a hero for going out and selling my own work. Now it upsets people."

The Princes of Sales

Anna needed to hear the sales organization's point of view. Ron Murphy, vice president of sales and marketing, showed up for the meeting with a face almost as red as his tie.

"You'd think I'd have learned by my age," he said with a laugh. "But it was such a beautiful weekend, and one of our customers invited us out on his boat. I should have taken a hat." He laughed again. "So what's this about changing the compensation formula for sales?"

Anna knew better than to take Ron's easy manner at face value. TopTek owed a lot of its success to his relentless drive. She described what she had learned about the DigiDeal case.

"I've known Peter for ten years, and I'm a big supporter of his," Ron said. "He's one of the smartest guys I know,

deliver the goods. Aside from Peter and a few others, most of them feel selling is unprofessional. They don't want to dirty their hands.

"Albert Washington worked for three years to get us into DigiDeal. The basic financial package they bought was smaller than usual. So if Al had been compensated for that package and that package alone, he wouldn't have had much to show for his hard work, would he? And now, his account is generating all kinds of revenue for TopTek. Peter and his consultants wouldn't even know DigiDeal existed if it weren't for Al. I don't question the job that Peter Lee and Ed Forsythe did there, but you can't screw Al out of his commission on last month's HR implementation. He wouldn't stay if all he got was a commission on the initial package."

Anna could recall at least two other occasions when she had been threatened with the loss of Prince Albert. "Yes," she said, "but if he didn't really contribute to the sale—"

"You have to understand how sales works. Sometimes you work your butt off, do everything right, and you still don't win. Sometimes it comes too easy. It all nets out. Al spends his time where it's needed. He senses things are going

held up. Sales and consulting each had its own inimitable way of getting businesses to open their wallets. And if they helped each other, the company would get a bigger share of wallet than it could hope to if they worked independently. It certainly seemed to be working that way at the Trigestis Pharmaceuticals account, the success story being touted by TopTek to the financial analysts. Maybe she could find the answers there.

A Productive Pairing

On Monday afternoon, she met with Tricia Bolling, a project partner from Solutions, and Charlie Hoaver, the account executive assigned to Trigestis. Anna explained her mission. "You two have succeeded wildly at Trigestis. Has the compensation system for rewarding sales helped or hurt?"

"I try not to think about that," joked Tricia. "If I did, it might just break up our team."

Anna laughed. "Do you agree with that, Charlie?"

"Well, I never saw a sales compensation system that worked perfectly. This one's OK, I guess."

"So how do we create more successes like Trigestis?"

"Hire more account execs like Charlie," said Tricia.

"Could you elaborate on that a little?"

"Yeah, I'd like to hear more about that, too," Charlie said.

"I can trust him," Tricia said. "Just after the merger, I took an account rep, who will remain nameless, to meet with the president of one of my old accounts. We were there to explain why the two firms had joined up and to reassure him that it would enhance the relationship we had with his company. The client was gracious, and the meeting went along fine, until he indirectly mentioned a need he had. The account rep pounced on it, saying how much we would like to help him with it. He even brought out a brochure. It was totally inappropriate, and my client gave me a look I still remember. He hadn't agreed to a sales meeting, and we were out of there two minutes later. I had to call him up and apologize."

"Charlie would never make a mistake like that. He knows how to listen to accounts and when to come to me and my consultants and ask us to support him. Meanwhile, he's out there in the marketplace, which I don't have the time to be. We've sold more services and product at Trigestis than at any other account of its size as a result. Watch us do the same thing at the other companies we've targeted."

"Keep talking. I'm loving this," Charlie said. "Seriously, I could say the same thing about Tricia. I trust her. If I spend six months getting a customer to the point where he wants a meeting, I can trust her not to cancel on short notice because a current customer asked for the same time slot. When I introduce her to someone, she doesn't go on about the latest technical fix till their eyes glaze over instead of listening to their problem. And she doesn't drop the ball."

Impressive, thought Anna as she left them, but how do we replicate that?

Overhaul or Tweak?

"Well, Anna, what have you found?" asked John.

"We're hung up on a number of dimensions," she responded. "Our sales force provides broad market coverage and our consultants provide content knowledge and deep working relationships. We need both, but we don't yet have a way to sort out the two of them."

"Compensation can clarify different people's priorities," John observed.

"Yes, but there are other issues as well. In many ways, the legacy TopTek and legacy Rossberg Lee people were better suited to their old organizations than to one that sells solutions. We are going to need to start recruiting to some new job profiles."

"I understand that, but even if I wanted to, I couldn't turn over a majority of the workforce in the next year without causing more problems than I solve. And I need results before then."

What will it take for cross selling to succeed at TopTek? • Four commentators offer expert advice beginning on page 52.

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What makes this case especially interesting to me is the CEO's blind spot. Evidently he's a good growth strategist; the acquisition of the consulting partner Rossberg Lee made sense, and the company was correct to focus immediately on crafting full-fledged solutions for customers. But John Vaunt is now falling into the trap that catches so many CEOs when they are too hands-off—looking to the compensation system to get the job done.

Pay for performance is always important, and always tricky to get right in sales organizations, but a lack of proper incentives hasn't been to blame in companies where I've seen cross selling efforts founder. Instead, problems tend to arise from three other challenges.

First, there's the difficulty of creating a coherent offering. Customers will buy bundled products and services only if it is evident to them that they're getting more value from the bundle than they'd get if they bought the components separately. But many vendors approach the problem inside out, slapping products together in ways that make life easier for the vendors rather than the customers. Using a term like "cross selling" doesn't help—in fact, the phrase should be banned in any company hoping to do more business with existing customers.

The second challenge is defining a distinct set of customers and working backward to

new skills in salespeople, and across selling teams, to enable the sales force to understand the decision process in the customer's shop, identify the critical decision makers, and speak to those key people in their language.

Classroom training probably wouldn't be effective. Because of the mix of skills involved in solutions selling, there are not many trainers who can teach it. TopTek would do better to adopt an apprenticeship model, with trainees learning from people who are already experts. Of course, the time of those top salespeople is extremely valuable, so the training format must make efficient use of it. Charlie and Tricia, for example, could reasonably be asked to train ten salespeople via e-learning or conference calls. An hour every day—or even once a week—would produce results. One question is whether Ron Murphy, TopTek's VP of sales and marketing, is skilled enough to be one of the trainers. If he isn't, it will be hard for him to identify, hire, and retain others. In general, an outcome of a good training process is that executives learn who can and can't sell in the new model.

If I had the ear of CEO John Vaunt, I would advise him to stop using Anna Tucker as a troubleshooter and personally attend to the three challenges I've outlined. If he's hoping to build long-term competitive advantage, these issues deserve his attention. Cross selling usually generates higher margins, uses less capital per dollar of sales, and enables longer and deeper customer relationships. Such improvements boost the company's price/earnings ratio, but that's only the beginning. Consider GE Aircraft Engines, which adopted a solutions approach—combining engines, service, parts, and even financing—more than a decade ago. Its experience shows that if you package your product in the context of a well-delivered solution (in GE's case, the best value per dollar of investment), you have a great chance of selling the next generation of product (as happened in April when GE was one of two winners of the contracts for Boeing's 7E7 Dreamliner engines). Given how huge the lifetime value of a customer can be, higher retention is a true competitive advantage.

The company must cultivate new skills in salespeople to enable them to understand the decision process in the customer's shop.

design a solution from their perspective—understanding how they will experience it, using their language, and incorporating their priorities. This is an exercise in segmentation and looking at the company's offerings from the outside. TopTek hasn't engaged in this exercise.

And, finally, there is the training challenge presented by a new and more sophisticated type of offering. The company must cultivate



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TopTek's consultants must broaden their knowledge and gain a deeper understanding of the firm's products and technologies.

Selling to a large enterprise with a complex hierarchy requires a lot of relationship building, both formal and informal. It takes time for a vendor to understand a customer's business, especially how to integrate new offerings so that they can deliver the highest value. Suppliers involved in this kind of relationship building are the farmers of the vendor world—they have to tend, water, and fertilize their accounts before they make a pitch. The vendors that target smaller, fast-moving companies are the hunters, always chasing down new deals. Their customers decide very quickly whether to buy, and the hunters move on. Consultants are analogous to farmers, while salespeople are more like hunters.

But the landscape is changing. Customers, for the most part, are no longer looking at tech for tech's sake. CEOs want vendors to help them solve complex business problems, a situation that presents a challenge for TopTek. Its consultants complain that the sales force lacks an understanding of their clients' needs and is mainly interested in

services such as providing guidance in change management or business processes and strategies. With a solutions focus, they must be able to recommend not only what the client should implement but also how an implementation should occur. Doing so will require a deeper understanding of TopTek's various products and technologies than they now have.

Likewise, the sales force must adopt a solutions approach, which means learning more about clients' businesses and industries. Salespeople also must work closely with consultants so that together they can provide higher value by integrating products and services. Further, TopTek's compensation scheme must reward contributions to solutions delivery more than it does sales.

Good salespeople like Charlie are aware of the breadth of their company's offerings; consultants like Tricia know how the customer's business works. If the two groups can work together and acquire a bit of each other's skills, they'll have happier clients that in the end will buy more.

Some of our large accounts at IBM have had both an account team and a relationship with one of our consulting groups. At some point, we said, "We're going to put you together. Your job is to do the right thing for clients and solve their big problems while identifying opportunities for us. You will each bring different strengths, but you've got to be in this together."

This kind of involvement with clients' needs is deeper than cross selling, a term that's often interpreted to mean "If a customer likes this, maybe it'll like that." A year or two ago, Celera Genomics selected IBM as its technology provider. One reason Celera chose us was that we had invested in understanding the company's business needs, which went beyond product. They were impressed by our ability to integrate systems, including a storage product that wasn't one of our own. The client sets the direction. In our experience, the combination of deep industry and product knowledge is unbeatable. It could set TopTek apart and help the company solve its customers' toughest business problems.

pushing product. The sales force thinks the consultants don't sell even their own services very effectively and don't care at all about product.

What both sides seem to have missed is that TopTek is no longer a consulting company or a products company. It has reinvented itself around the idea of solutions. The CEO needs to state TopTek's new value proposition, which has two parts: We understand our clients' problems better than anybody else, and we can bring our products and services to bear on those problems. This new reality will require changes in the roles and responsibilities people had before TopTek acquired Rossberg Lee.

The company's consultants must learn to broaden their knowledge beyond traditional

It may be wise to introduce bonuses for the consultants based on their involvement in sales. That's a common approach in such companies.

John Vaunt is undoubtedly right that TopTek will have to change the way it rewards its account reps and Solutions consultants for sales. He should heed Anna's advice, however, and start by addressing more immediate issues. First, Peter Lee and Ron Murphy must establish a shared understanding of job roles and performance expectations in their organizations.

John's first step should be to convene a meeting with Anna, Peter, and Ron. The first item on the agenda should be Anna's findings from the project John gave her. But the larger purpose should be to begin the process of pulling together the legacy TopTek and legacy Rossberg Lee people into an effective customer-facing team.

TopTek's strategy of pursuing growth through sales of total solutions requires an approach that is fundamentally different from the way the two firms sold before. John's charge to Peter and Ron should be to figure out what is the right sales and customer relationship management process for the new TopTek. That process should make clear how new business will be acquired and how current business will be retained and expanded. It should explicitly address questions such as: Who is responsible for winning new accounts? Who is responsible for selling incremental business to current accounts? Going forward, what will be TopTek's sales approach for "small" products (like products and services for facilities management)? Should we continue the current practice of allowing practice leaders to sell their business or should we reassign that sales responsibility to our account executives?

As Peter and Ron go off to work on this assignment, John should indicate to them that Anna is available to facilitate their sessions and identify other resources (internal and external) to help them. He should also encourage Peter and Ron to involve their key people

in the effort, to increase ownership in the new process. Finally, he should be very clear about when this work is due. It would not be unrealistic to ask for a high-level outline of the sales and customer relationship management process and a clarification of job accountabilities in 30 to 45 calendar days.

On a separate track, John should give Anna the task of identifying best practices in sales compensation among businesses like TopTek. This information will be useful when the team decides what new behaviors are required of salespeople and consultants and how those people can best be motivated.

Successful sales compensation plans are designed to the specific accountabilities of each job. It may be fully appropriate to continue rewarding account reps through a commission plan. However, a revised commission system might include new features such as sales quotas, minimum sales standards (to address what might be called the "annuity" feature in the present plan), and product or service mix objectives. Also, it may be wise to introduce bonuses for the consultants based on their involvement in sales. That's a common approach in companies where solutions consultants have a sales role.

Once the process is clear and accountabilities are assigned, TopTek's executives will have a much easier time moving forward with rethinking the compensation plan. There will be a framework for making decisions about performance measures, goals, and sales crediting—important ingredients in a sound compensation plan. With job accountabilities clear, it will be simpler to determine what training makes sense for both account reps and consultants. If it is necessary to hire new account reps, that too will be easier. Finally, internal and external customer communications can center on the sales process, so that the kind of confusion TopTek experienced at DigiDeal can be minimized or eliminated.



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Those of us in financial services tend to think our industry is unlike any other, but reading this dialogue almost makes me think someone has been listening in on my company's meetings. My organization has a similar structure to TopTek's, with "coverage bankers" (client relationship managers) on one side and specialists representing the various business lines – equity capital markets, project finance, export finance, and so forth – on the other side. And profitable growth for us depends heavily on success in cross selling.

A classic example of cross selling comes up when a specialized team executes a complex transaction – say, financing a power plant in Uzbekistan. The Project Finance team has its hands full pulling together all the required information for the transaction; how do we make sure its members will also bear in mind that there are other ways their bank can be of service? Turbines will have to be imported into the country, for example, so there's an export finance transaction to be done. And to the extent that those turbines have to be financed externally, there is a currency swap and perhaps an interest rate swap. Today, because of the pressure to produce profitable returns and leverage cost bases, we can't afford to miss these opportunities.

Capturing more of this business begins with a basic organizational step: putting

amount of time educating our coverage bankers about them. Often, the setting is informal. Five or six bankers might gather over lunch to hear from a business line about, for example, a new tax ruling and its impact or how tax-efficient financings such as so-called "green leases" can benefit certain clients. The goal is to enable the bankers to detect opportunities and then carry the ball for the first few yards. Our product line professionals, with their highly specialized knowledge, are a scarce resource. If one of them is brought to a client and, after five minutes, discovers that the product isn't relevant because of a tax situation or a legal constraint or a structural issue, then everyone's time has been wasted.

More generally, training must focus on building both sides' understanding of their respective jobs, perspectives, and time frames. One has a longer-term, global view of client relationships; the other has a more immediate, transactional view. The coverage banker's job is to ensure that the client has access to all the bank's products and that all the products have access to the client. But he needs to realize that, in playing the traffic-cop role, he may look like a roadblock to some of his colleagues. The product line professionals, for their part, need to appreciate the source of that caution. Once a product is delivered, the invoice is paid and that business line often exits the scene. But if it was over-sold or underperforms, the coverage banker has to live with the consequences – and they will affect his ability to sell the next product.

TopTek management needs to manage the tension between these camps but at the same time recognize that some friction is inevitable – and not necessarily a bad thing. If I were John Vaunt, I would not try to engineer ideal behavior by tweaking compensation. Instead, I would engender a better cross selling environment through training, increased dialogue, and public recognition of cross selling successes, while tackling the cases of extreme dysfunction. ▢

If I were John Vaunt, I would not try to engineer behavior by tweaking compensation. I would engender a better cross selling environment.

product teams and client teams in frequent contact so that they constantly share up-to-date information. In our case, ensuring a fully transparent flow of information means frequent meetings (preferably short ones), the sharing of pipeline reports, and candid dialogue about the identification of client needs and new prospects.

What makes the most difference, however, is training. Products evolve rapidly – yes, even in banking – and we spend an enormous

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