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Tying the pieces together: A normative framework for integrating sales and project operations ☆

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Abstract

Synchronizing sales efforts with project operations, such that (1) there is a steady flow of work that can be completed in a non-chaotic project environment, (2) resources maintain high utilization, and (3) desired deliverables reach customers within the promised lead-time, is extremely difficult. This paper proposes a normative approach to uniting the sales process with project operations capacity by coordinating movement of potential customers through the sales funnel with the company's internal project capacity. It also addresses contingencies with respect to company throughput as a result of changes in managing the market, the sales funnel, and project operations, while taking into consideration variation in scheduling as well as in managing project task and duration uncertainty.

Keywords: Sales funnel; Multi-project management; Integration; Synchronization; Uncertainty; Buffers

1. Introduction

Organizations are becoming increasingly sensitive to the necessity for integrating across business functions in order to more effectively meet the demands of the marketplace. Calls for functional integration have been voiced with respect to marketing and production/operations (Hsu & Chen, 2004; O'Leary-Kelly & Flores, 2002; Shapiro, 1977), marketing and engineering (Shaw, Shaw & Enke, 2003) marketing and R&D (Maltz, Souder & Kumar, 2001) and marketing and logistics (Mollenkopf, Gibson & Ozanne, 2000). Wind (2005, p. 864) calls for "... a broader, multidisciplinary approach to marketing challenges" and (p. 866) for "managers who have functional depth and broader perspectives." In order to make decisions that enhance a business's overall effectiveness, it is necessary to understand the drivers of cross-functional disconnects (Shapiro, 1977) and find resolutions that allocate and manage resources for the greatest positive impact (Wind, 2005).

Pinto and Covin (1992) voiced a similar concern with respect to integrating project selling into the scope of project management. More recently, Cova and Salle (2005) have reiterated the importance of finding convergence points for project marketing and project management so that the two functions can successfully merge. The strategic ideal would be a seamless presentation to the customer of promised benefits coupled with flawless execution, or the integration of sales and operations (Soler & Tanguy, 1998). As applied to businesses focused on successfully marketing projects, the union of project sales and project operations would seem to be a necessity to achieve more continuity and predictability in the process, thus achieving better control (Slatter, 1990). It would, therefore, be important to explore a normative framework for managing the entire sales process (from lead generation to closing the sale) such that the discrepancies with respect to the supply of customer projects and the scheduling and completion of those projects for customers (project operations) can be successfully eliminated (Piercy & Lane, 2003).

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2. The problem

Projects as products are distinguished from the internal projects prevalent in nearly every organization by being actively marketed to the organization's external customers (Skaates & Tikkanen, 2003) and by representing the primary source of revenue for the company. Examples include construction, audits, advertising campaigns, shipbuilding, military weapons systems, consulting, and software development. Projects are also distinguished from other types of products by their larger scope and complexity (Meredith & Mantel, 2003), the uniqueness and customization of each individual project tailored to customer specifications (Project Management Institute, 2004), and a relatively longer term selling process which includes unique steps (Cova & Salle, 2005), such as responding to invitations to tender and the tendering of bids (Cova & Holstius, 1993).

In terms of strictly satisfying customer expectations regarding the project itself, the critical success factors include (1) stability – the vendor is able to minimize variability and disruption in the project schedule (Swartz, 1999); (2) timeliness – the project is delivered by the deadline date set by the customer (Gardiner & Stewart, 2000; Wright, 1997); (3) full scope – the vendor delivers the project in its entirety without any missing components or benefits (Gardiner & Stewart, 2000); and (4) within budget – the project is delivered without cost overruns (Gardiner & Stewart, 2000; Wright, 1997). Although these criteria are well-known in project management research and practice, research also shows that when "products" are manufactured to order, the internal relationship between sales and production is important to the customer (Parente, Pegels & Suresh, 2002). Analogously, in the marketing of projects, it would appear necessary to focus not only on a company's external marketing efforts and customer management practices but also on the integration of those efforts with the company's internal project production capabilities.

Yet an inevitable tension exists in a multi-project environment – as it does between many sales and operations functions – between the need to apply company resources to deliver promises and fulfill contractual obligations with respect to the project itself and the need for the company to ensure its revenue stream by continually supplying the pipeline with additional business in the form of project contracts (Slatter, 1990). The tension lies in the fact that when a bid is won by the vendor, the contract is signed, and contract deadlines go into effect, the customer expects the vendor to immediately begin work on the project and the vendor is anxious to do so. However, diverting necessary resources from existing projects in order to work on new projects can jeopardize project schedules (Herroelen & Leus, 2004b), thus delaying current projects with the result that they may be late, incomplete upon delivery, and/or have cost overruns. Companies are then caught in the dilemma of whether to create a positive impression with new-project customers by an immediate show of commitment or to ensure the satisfaction of current customers by focusing on the completion of currently scheduled projects. The resulting compromise, which often drives resources to multi-task between projects, has been shown to generate a multitude of negative consequences (Just, Newman, Keller, McEleney, & Carpenter, 2004; Rubinstein, Meyer & Evans, 2001). The worst outcome is that existing projects are often delayed or compromised, and contingent revenues may be

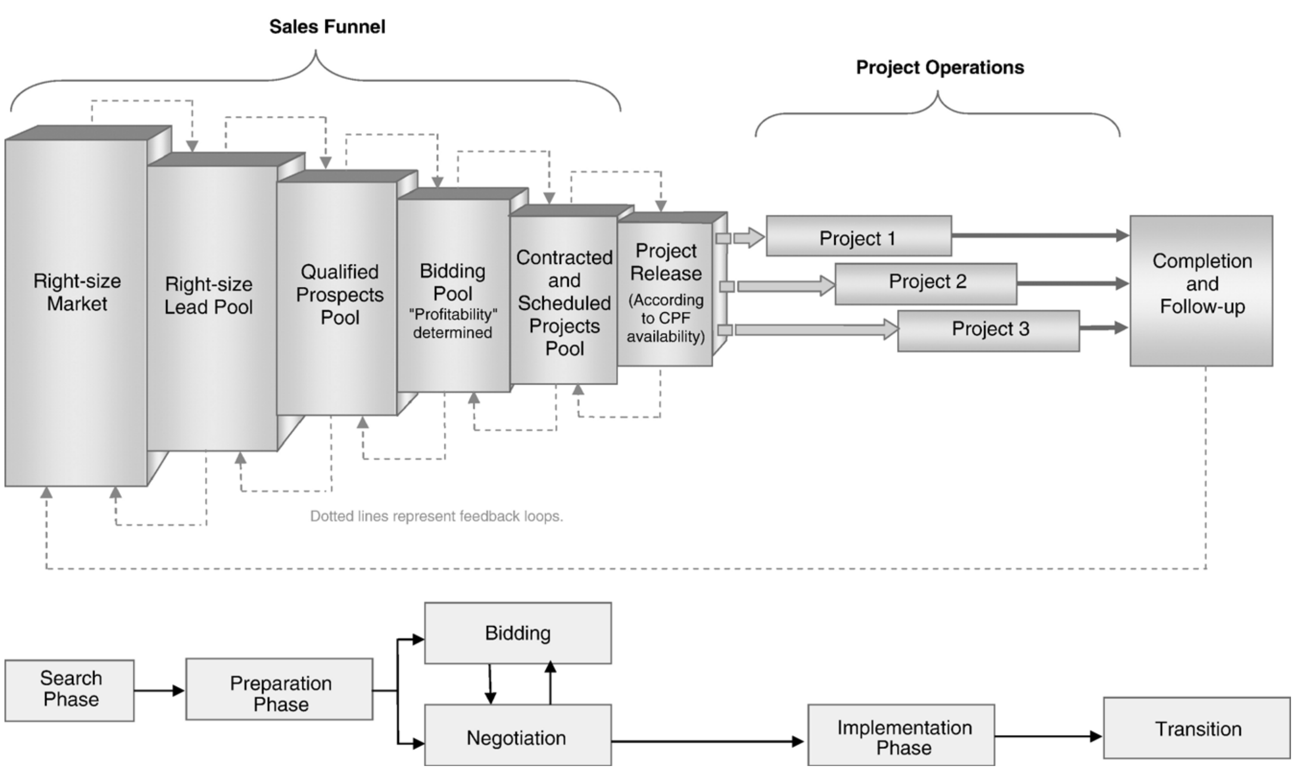

Fig. 1. Project marketing cycle.