



SALES TO THE CHIEF

The 'salesman CEO' is a popular corporate caricature, and one that has been used to portray such luminaries as **Jack Welch** and **Louis Gerstner**. So are salesman naturally predisposed to being super CEOs? By **Neil Davey**

John Chambers, Steve Jobs and Sam Palmisano share a lot of common ground. Firstly, they are all at the helm of huge organisations – Cisco, Apple and IBM respectively. They are also enormously respected, having achieved notable success in their arenas. But perhaps most interestingly, they have also all been referred to at one time or another as a 'salesman CEO'. And while this term has sometimes been used in a derogatory sense, the fact that all three fit this moniker suggests there is something in this salesman-like nature that is the secret to their success. GE's Jack Welch, Citigroup's Sandy Weill and Palmisano's predecessor Louis Gerstner would all also seem to support this theory, having each been bracketed as major dealbreakers in their

day. Is there really something in this? Is the salesman-to-CEO career ladder not only the corporate dream but also the steps to success?

Palmisano appears to perfectly embody the so-called salesman CEO. He joined the company in 1973 as a sales rep and by 2000 had worked his way up to President. In March 2002 he was announced CEO and was promptly elected Chairman of the Board six months later. His strategy is aggressively growth-based. While the rest of the high-tech industry is struggling with low-cost competition and commoditisation he set IBM the goal of hitting five percent growth per annum. This he aims to achieve by creating and winning high-margin opportunities in everything from

mainframe computers to website management software, selling to customers that range from SMEs to governments. So far, this strategy is a success. In 2003, a year after Palmisano became CEO, the company enjoyed a 10 percent increase in revenue, while improving market share against its major competitors.

Is this success related to Palmisano's background as a salesman? Certainly salesmen occupy a unique place in a company. They are the front-face of an organisation, the first line of contact with the customer, and often the richest in terms of market understanding. Robert W MacDonald cut his teeth as an agent selling insurance door to door – and he has been CEO of three major insurance companies (ITT Life, LifeUSA and Allianz Life); is President of CTW Consulting; sits on three boards; and consults for financial conglomerate Allianz AG.

"The experience of being a salesman means that CEOs can empathise with what is a very critical area of success for the company," he suggests. "It is more important for a CEO to know what the sales process is all about and have been involved in it than it is, for example, to have been an accountant or lawyer. The most organised person can be the best lawyer or greatest accountant – but if he doesn't have the ability to understand the sales and marketing process it is like running with one flat tyre. When you have CEOs that don't have sales or marketing background their companies are at a very strong disadvantage. It doesn't mean they can't have a number two person that does have sales experience to balance that off, but it does mean that they're a weaker CEO because of that."

This opinion is not uncommon amongst senior management. When addressing business school students, the late Russ Berrie, Chairman and CEO of Russ Berrie & Co. Inc., would always recommend that the best route to management was by having a sales background. And many firms believe strongly in this maxim. "I know of many companies in the world that will not permit anyone in the organisation to progress without spending some significant time as a sales person," highlights Professor Narayan Pant, Associate Dean of Executive Education at the INSEAD business school. "Many of these companies are some of the finest FMCG companies in the world. 'Nuff said!'"

SALESMEN AND ENTREPRENEURS

Nevertheless, while Palmisano has acquired the necessary traits and qualities through sales, he has also clearly acquired other disciplines along his career path. Many of the strategic decisions made during his 30-year career at IBM indicate a strong entrepreneurial flair and an element of being an old-fashioned 'ideas man' more than a salesman. When he was at the helm of IBM's server group he encouraged the company to embrace the then-radical Linux operating system. He surprised many



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by making a daring sloop for the consulting arm of PricewaterhouseCoopers at a bargain price. He has disbanded the company's executive management committee, replacing it with a decentralised operating structure. And is now moving IBM out of the PC business. These radical steps from Palmisano have seen observers increasingly shift their focus away from his sales background to his entrepreneurial spirit. And it is this power in ideas that is now leading him to be instead grouped with such luminaries as Pfizer's Henry McKinnell Jr, GE's Jeff Immelt and MCI's Michael Capellas, all of which are focused less on the hard sell, and more on jumpstarting innovation.

The qualities demonstrated by Immelt, McKinnell Jr and Palmisano are, according to some, not disciplines that can simply be acquired on the sales floor. "Companies would fail without good sales people, which naturally means that the person heading up the company will have a strong sales background," suggests Claude Puppatti, CEO of the Sopra Group. "The subtle difference is that CEOs also have a knowledge of how to excel in other areas –



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finance, HR, marketing – and overall, they know how to combine all these areas for the good of the company.”

“I don’t think salesman make great CEOs in general, although it probably depends on the size of the company,” says Muse Consulting’s CEO Ralph Muse, a senior level executive who has served as CEO, COO or GM at three start-ups and two public companies. “IBM has a tradition of having salesman at the top. You can go all the way back to Thomas Watson, who was a sales guy. Ross Perot was also an IBM salesman, and he went on to start EDS and so on. They came up through sales successfully over a long period and clearly built up other skills. With middle-market companies especially, when they install a salesman as CEO, they often don’t have the background that others have acquired on the way to the top spot at a company like IBM or EDS, where they have been around for a while and done a lot of different things and picked up the other management skills you need. If a US\$500

million company makes a VP of sales the CEO, the chances are that he has never run a factory, has never had anything to do with R&D or engineering, and has never been that close to the financials. And that is when companies have problems.”

LIP SERVICE

Away from Palmisano, many of the other ‘salesman CEOs’ also don’t exactly match their moniker. “There is some romanticism associated with the salesman to CEO career path,” MacDonald explains. “What a great story – a salesman that builds himself up to be a CEO! But for me, when a CEO actually takes the position of saying ‘I am a salesman CEO’ sometimes it is just them paying lip service. I have a good relationship with Michael Diekmann, for example, who is the CEO of Allianz in Munich. And if you ask him what his background is, he will tell you it’s sales. But in those companies – especially in Europe – very few of them were salesman. The general rule is that even if you have the greatest product in the world and the best service, if you can’t sell anything then it doesn’t make a difference. Sales are critical. And that is why there is a tendency for CEOs to say they were in sales.”

“I came out of GE and worked closely with Jack Welch,” says Muse. “He is not a salesman. But does he sell? Yes. Has he ever had a job as a salesman? Never. He’s a PhD chemical engineer, who came up through the research group, but had a flair for marketing. Before he started being general manager he was in marketing. He’s a great marketer, not necessarily a sales guy. And Jobs is kind of the same. Jobs has a salesman flair about him. But there is a difference between marketing and selling and I see him as a marketer.” While these successful CEOs don’t have sales backgrounds, however, they most certainly do have sales traits. They are charismatic players that have the gift of the gab and succeed by filibustering – filling the air with a balance of controlled aggression, alluring geniality and relentless self-promotion. “When you meet John Chambers and sit in a meeting with him, you feel like you have just met with a super high-pressure sales guy – but he’s not actually a salesman by his background,” adds Muse.

It would appear that those CEOs labelled as ‘salesman’ are rarely Chief Execs that have actually worked their way up from the sales floor, although there is an element of sales in their personality. So perhaps this sales gene is the secret to success. The late management guru Peter Drucker believed that there is no single effective CEO personality. Effective managers could encompass very different traits and employ entirely different approaches to their trade. “All they must have in common is the ability to get the right things done,” Drucker said. “Effectiveness is a habit, a practice of doing things, one step at a time, in a well thought out, systematic way.”

Nevertheless, the value of sales cannot be underestimated. An organisation’s salesmen are ultimately every bit as critical as the CEO himself – a fact that Palmisano recently acknowledged. “At the end of the day, a lot of running a company is the leadership and the people, as much as good strategy and analytics and good management systems and processes,” he recently said. “At most companies, it really gets down to the people who are driving the businesses for you.” And these people are the salesmen. ■