The sales forecast budget as a framing device to manage business relationships

Andrea Sabatini & Gian Luca Gregori[1]

ABSTRACT

The study presents an empirical exploration of how SMEs use the sales forecast budget as a framework for managing relationships. By examining 7 different cases, the study suggests that sales forecast budget can be used to assess current relationships, prioritise certain relationships over others, and finally understand how to reactivate, regain and engage dormant and temporarily suspended relationships.

Keywords: sales budget, sales forecasts, business relationships management, B2B

INTRODUCTION

Business exchange has always been an issue (Håkansson and Waluszewski, 2005). Often, firms fail to explain how relationships develop and are managed, as lack the ability to select, evaluate and maintain these. The difficulty lies in business relationships nature: they are subject to constant change through interactions (Zafari et al., 2023). More problem arises, on the one hand, from the relative strategic planning that SMEs undertake and, on the other, from the difficulty of outlining possible changes in the business landscape. As business landscapes become more turbulent, the importance of planning and anticipating each business relationship increases becoming critical to the firms' survival. A turbulent business context is characterised by continuous, abrupt, sudden, influential and unpredictable external changes that affect the functions of a firm (Zafari et al., 2023; 2020). In turbulent times, firms are called to review their relationships considering their current and potential value. However, developing relationships in a turbulent context contrast with traditional models developed for stable times. Hence, new arrangements and technologies are needed to understand relationships dynamics and evolution over time (Zafari et al., 2023). As data becomes increasingly prevalent in business, new tools utilising data should be explored to gain a better understanding of business relationships (Aarikka-Stenroos and Ritala, 2017). Previous scholars (Ojansivu et al., 2020) suggested that exploring the nature of business relationships requires something like a device, vehicle or lens to tease out the underlying assumptions. Hence, the study took the opportunity to shed light on the sales forecast budget (Sabatini, 2024) as a framing device (Baraldi and Strömsten, 2024) for managing business relationships. The paper aims to explore how a firm can use the sales forecast budget as a tool to manage the dynamics of business relationships by answering the following research question:

RQ: How does the sales forecast budget support the firm in managing business relationships?

LITERATURE BACKGROUND

The sales forecast budget is an estimate of the level of sales for a future period. The sales forecast is the result of the forecasting process. Although there is little discussion of sales forecasting in the literature, Sabatini (2024) suggests that recent technological

[1] Dipartimento di Management, Facoltà di Economia, Università Politecnica delle Marche, Ancona, Italia.

advances can update the management tool to new potential. The new digital technologies embedded in the sales forecasting process allow the company to develop a data-driven approach to managing business relationships. However, as noted in the previous section, to the best of the authors' knowledge, no previous studies have empirically examined the role of sales forecasting in supporting the firm's business relationship management. Similar to the study by Baraldi and Strömsten (2024), there is an opportunity to use the sales forecast budget as a tool to frame and mediate the behaviour of the actors involved in the business relationships in order to improve the understanding of how the actors interact. Framing devices support the firm in understanding the relationship between actors and the specific relationships with actors, some are close and thicker, others are more distant and thinner (Baraldi and Strömsten, 2024; Håkansson and Waluszewski, 2013). Framing devices can also support the firm in continuously evaluating performance and understanding the business context (Sabatini, 2024; Baraldi and Strömsten, 2024). According to Ojansivu et al. (2020), business relationships are conceived as a continuous interaction between at least two actors involving economic and social aspects. Actors are characterised by a constant search for new relationships while maintaining a diverse portfolio of relationships (Zafari et al., 2023). Every business is related to others and influenced by direct and indirect relationships, where the network is the result of past efforts and interaction is the basic business process (Waluszewski et al., 2019). All companies must recognise that the business landscape is characterised by a complex web of interdependencies between the actors that populate it (Zafari et al., 2023; La Rocca, 2013). The development of business relationships involves the selection of partners, the formation of relationships, the maintenance of exchanges and the dissolution of relationships, as well as inactivity (Zafari et al., 2023). Business relationships are not all the same, some can be a 'booster' for growth, while others can be a 'burden' where an unbalanced situation arises. Treating all customers the same and developing relationships in the same way is not effective. These interactions can be developed by taking into account the understanding of the current and future value of each relationship to develop an effective resource allocation for each customer. Identifying unprofitable relationships allows the firm to free up resources to focus on other relationships or to allocate efforts to other options that may generate better future opportunities (La Rocca et al., 2019).

METHODOLOGY

A qualitative approach was considered appropriate for the purpose of the study (Yin, 2014; Eisenhardt, 1989; Voss, 2010). The research is based on the direct observation of seven cases that were purposefully selected to shed light on the phenomenon under investigation (Eisenhardt and Graebner, 2007). The seven companies involved in the study (see Table 1 below) are located in central Italy, an area that has experienced the turbulence of successive crises in recent years. Although the companies belong to different sectors, they share some common characteristics that allow comparison and make the results robust and generalisable (Yin, 2014). They are all small companies with a turnover of less than €25 million, they operate in the same geographical context, they operate in a B2B context and they offer complex product-service solutions to their customers. The data have been collected since 2018, in a study that includes more than

6 years of direct observation of the firms. The observations took place during sales meetings, meetings between the entrepreneur and the sales manager, meetings between the entrepreneur, the sales manager and customers, and participation in sales forecast budget meetings. Secondary data was collected as formal documents, plans, internal analysis and informal documentation that the companies shared with the researcher. Secondary data was used to triangulate and confirm observations (Yin, 2014).

Firms	*Fashion 1 (F1)*	*Fashion 2 (F2)*	*Indutrial construction (IC)*	*Equipment rental (ER)*	*Software development (SD)*	*Electronics (E)*	*Mechanics (M)*
Turnover (milion €)	≈ 2,3	≈ 10	≈ 3	≈ 20	≈ 15	≈ 7	≈ 3
Number of customers	≈ 500	≈ 100	≈ 150	≈ 3.000	≈ 300	≈ 35	≈ 500
Observation period	2022 - 2024	2023 - 2024	2018 - 2024	2021 - 2024	2020 - 2024	2019 - 2021	2018 - 2024
Actors involved	2 Entrepreneur 2 Marketing executive 1 Management control executive	1 Entrepreneur 1 Sales director 1 Marketing director 6 Sales executive 3 Accountants	1 Entrepreneur 1 Sales director 1 Marketing executive 1 direttore tecnico 1 Accountants	1 Entrepreneur 1 Marketing executive 1 IT executive 1 Accountants	2 Entrepreneur 1 Marketing director 2 Marketing executive 1 Sales director	1 Entrepreneur 3 Sales executive 1 Management control director	2 Entrepreneur 1 Management control consultant

Table 1 - Case studies overivew

The data were analysed abductively according to the systematic combination approach (Dubois and Gadde, 2002; Thompson, 2022). This approach consists of an iterative back and forth process between theory and empirical data to develop new insights for theoretical and managerial implications. The abductive approach allows collecting new data during research progress to triangulate and validate the insights developed.

FINDINGS

The findings are presented by analysing the recurring patterns, both similarities and differences, between and within the cases. Firstly, the sales forecast budget was widely used in strategic planning or for the periodic revision of long-term planning. However, some cases (F2, M, SD) use the sales forecast budget only to determine the future level of sales to each customer, while others (E, IC, F1, ER) also use the sales forecast budget to develop decisions in the field of marketing and company organisation. Furthermore, the sales forecast budget is usually developed through internal meetings, which also allow for an intra-organisational debate on business relationships and the future of each customer relationship. However, a number of differences emerged from the case studies. F1 and SD developed these meetings by also involving the external sales force (e.g. agents), while ER, E and F2 developed them by involving the company's key account managers, and IC and M developed them mainly with the entrepreneurs. It is worth noting that IC and M are two of the smallest enterprises in the sample. There are also notable differences in how the companies perceive and use the sales forecast budget. Some enterprises use the sales forecast as a cut-off sales level to manage relationships with agents or to assess the development of business relationships (E, F1). However, more often the sales forecast budget is used for its processual methodology, which helps companies to understand short and long term decisions on each business relationship, while the future sales level is understood as a result to be targeted, but not as a cut-off (SD, F1, F2, M, IC, ER, E). These decisions are often related to the implementation of strategies to win new customers, reactivate dormant relationships or those that have been temporarily terminated (e.g. due to problems). Finally, the cases also provide insights into the use of the sales forecast. Here, intermittent use appears in some cases (M, SD), although complexity also appears in the company that uses it regularly. The cases show that for E, IC, F1 the tool is misused, as it is often used to justify a decision already taken by the entrepreneur or management. Only in the cases of F2 and ER is the sales forecast developed for data-driven customer management.

THEORETICAL AND MANAGERIAL IMPLICATIONS

The results of the study allow several theoretical and managerial implications to be developed. First, the cases suggest that the practice of sales forecasting allows SMEs to make sense of the various ongoing business relationships. Second, sales forecasting is widely adopted to audit and evaluate current business relationships, considering both the actual and future potential value (Zafari et al., 2023; La Rocca et al., 2019; Waluszewski et al., 2019). Third, according to the short and long term decisions developed by the company thanks to the use of the sales forecast, it becomes clear how the tools supported the prioritisation of certain business relationships (Håkansson & Waluszewski, 2013; Baraldi and Strömsten, 2024). Prioritisation can be seen as crucial during the crisis, as it supported the company to ensure survival while revising strategic decisions to increase effectiveness and efficiency (Zafari et al., 2023). Fourth and finally, the study highlights that by developing a sales forecast for each customer, companies are supported in identifying high-value business relationships and understanding how they can eventually be reactivated and regained if they become dormant or terminated (Aarikka-Stenroos et al., 2018; Zafari et al., 2023). The study also has implications for managers. It highlights the role of the sales forecast budget not as a cut-off number to determine good or bad performance, but as a tool to understand how different customer relationships are evolving and their future investment potential. The study therefore suggests that sales forecasts should be developed on a customer-by-customer basis to differentiate how they are managed and the resources allocated to each relationship.

CONCLUSIONS AND FURTHER RESEARCH

The purpose of the study was to explore how a company can use the sales forecast budget as a relationship management tool. The study concludes that sales forecasting, enabled by new digital technologies, could be a valid tool for implementing data-driven relationship management. Indeed, the sales forecast is seen as useful for auditing, evaluating, strategising and operating relationships. However, companies are challenged to change the way they use and develop the sales forecast. As the case shows, the benefits highlighted can only be reaped if the sales forecast is not considered as a mere cut-off number and the development process is customer-centric and developed with the involvement of sales personnel (e.g. agents, key account managers).

Limitations and further studies

The study is still ongoing, and the present research is a work-in-progress manuscript on a topic that has been under investigation for more than four years. The limitations of the study also lie in the methodology used. However, further studies are called for, especially longitudinal case studies, which may be useful to capture a more fine-grained processual perspective on the phenomenon.

REFERENCES

Aarikka-Stenroos, L., Aaboen, L., Cova, B., & Rolfsen, A. (2018). Building B2B relationships via initiation contributors: Three cases from the Norwegian-South Korean international project business. Industrial Marketing Management, 68, 74-85.

Aarikka-Stenroos, L., & Ritala, P. (2017). Network management in the era of ecosystems: Systematic review and management framework. Industrial marketing management, 67, 23-36.

Baraldi, E., & Strömsten, T. (2024). Product development the IKEA way–the role of target costing as a framing device to configure and combine resources in networks. Industrial Marketing Management, 119, 206-217.

Dubois, A., & Gadde, L. E. (2002). Systematic combining: an abductive approach to case research. Journal of business research, 55(7), 553-560.

Eisenhardt, K. M. (1989). Building theories from case study research. Academy of management review, 14(4), 532-550.

Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. Academy of management journal, 50(1), 25-32.

Håkansson, H., & Waluszewski, A. (2005). Developing a new understanding of markets: reinterpreting the 4Ps. Journal of Business & Industrial Marketing, 20(3), 110-117.

Håkansson, H., & Waluszewski, A. (2013). A never ending story—Interaction patterns and economic development. Industrial Marketing Management, 42(3), 443-454.

La Rocca, A. (2013). Approaching (Inter-) Actors in the Business Landscape. Imp Journal, 7(3).

La Rocca, A., Perna, A., Sabatini, A., & Baraldi, E. (2019). The emergence of the customer relationship portfolio of a new venture: a networking process. Journal of Business & Industrial Marketing, 34(5), 1066-1078.

Ojansivu, I., Hermes, J., & Laari-Salmela, S. (2020). Business relationships in the industrial network literature: Three approaches and their underlying assumptions. Industrial Marketing Management, 87, 181-195.

Sabatini, A. (2024). Il budget previsionale di vendita per le PMI: Teoria, metodi e applicazioni pratiche. Giappichelli Editore, Torino.

Thompson, J. (2022). A guide to abductive thematic analysis, Qual Report, 27: 1410-1421.

Voss, C. (2010). Case research in operations management. In Researching operations management (pp. 176-209). Routledge.

Waluszewski, A., Snehota, I., & La Rocca, A. (2019). What remains to be discovered? Manifesto for researching the interactive business world. Journal of Business & Industrial Marketing, 34(1), 232-239.

Yin R. K.. (2014). Case Study Research Design and Methods (5th ed.), Thousand Oaks, CA, Sage.

Zafari, K., Biggemann, S., & Garry, T. (2020). Mindful management of relationships during periods of crises: A model of trust, doubt and relational adjustments. Industrial Marketing Management, 88, 278-286.

Zafari, K., Biggemann, S., & Garry, T. (2023). Development of business-to-business relationships in turbulent environments. Industrial Marketing Management, 111, 1-18.