"ALIGNING STRATEGY AND SALES" BY FRANK V. CESPEDES

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A SUMMARY

The largest and most expensive part of strategy implementation is aligning sales and go-to-market efforts with a company's strategies & goals.

In a recent Booz & Co survey of 1,800 executives, 56% said their biggest challenge is ensuring that day to day decisions are in line with company strategy.

Poor alignment of sales and strategy means direct and opportunity costs. Selling is expensive. The amount invested in US sales forces is 5 times the amount spent on all media advertising in 2012 and 20 times the amount spent on all online advertising and marketing in 2013.

Good salespeople bring flexibility, street smarts and the ability to customise a value proposition, build relationships and work within their own company to marshal resources into a winning team. But they can't be turned on and off like advertising or expanded overnight.

80% of managers said they believed their companies had strongly differentiated strategies and products, but less than 10% of these firm's customers agreed.

On average, companies deliver only 50-60% of the financial performance that their strategy forecasts promised. Strategy is not the same thing as a financial plan.

Customer's buying processes don't accommodate the selling companies' planning process. Their selling process must do that. Therefore sales knowledge of individual customer behaviour is essential.

Isaac Newton said that business is tougher than physics because he could "calculate the motions of the heavenly bodies but not the madness of people".

Value is created or destroyed in the market with customers, not in planning meetings. Effective selling is the outcome of strategic choices and organisations systems, not only sales efforts. These must be measured and managed.

The Goal of Strategy –

Strategy is not the same thing as a plan, goal, objective, mission, vision or value. Strategy comes from the ancient Greek word for a General in a military campaign. Strategy is the movement of an organisation from its present position, to a desirable but uncertain future position.

Business is about customer value – targeting customer groups and tailoring sales to serve those groups. As Peter Drucker said, "The purpose of business is to create a customer".

Strategic choices –

Business strategy is about the choices a company makes in its attempts to achieve competitive advantage in a market. A company needs to know its goals with respect to the value we do or can bring to customers (customer value) and the value we expect to get from customers (financial value).

A customer value proposition is always at the core of any successful strategy. Winning in business is achieving above average value delivery to customers and return to investors. Salespeople can't be premium service sellers in the morning and cost hawks in the afternoon.

In a given year, over one third of firms don't train their salespeople. You get what you don't maintain.

Control systems –

By the millennium, 85% of US companies used incentive plans which accounted for 40% of total sales compensation. Yet in a 2012 survey of 700 firms, 20% reported that their compensation plans had minimal or no impact on selling behaviour, 12% said they didn't know and only 8.9% said their pay policy consistently drove precise selling behaviour.

This finding is striking when considering the common assumption about salespeople – "It's all about money". Yet the purpose of any compensation plan is to motivate the sales force to achieve their employer's goals. Efforts lead to results when goals are clear and aligned with evaluation criteria.

Developing a strategically effective plan requires answering 5 questions –

1) What are the most important sales tasks?
2) What must salespeople do to succeed?
3) What is the labour pool frame of reference?
4) What should the salary incentive mix be?
5) How should the incentive be designed?

CRM systems that provide an accurate window into sales funnels and calling patterns also allow for more behaviour based control. The devil can be in the detail – should salespeople be paid orders are booked, shipped or paid for?

Sales force environment –

Performance reviews are underutilised. People become high performers by identifying specific areas where they need to improve and then practicing those skills with clear feedback on performance. Sales coaching has the greatest impact on medium performers where improvement can be as much as 20% due to effective feedback. The most commonly used aggregate metric for evaluating a sales force is the sales expense to revenue ratio.

Company environment –

A good salesperson needs to have a clear perspective in the relationship between their company's assets and opportunities and how to close the gap. Their job is to ensure their company is realistic about any difference between where they are now and where they want to go in the market - and the required changes to get there.

Making connections –

Less than 40% of companies believe their sales & marketing departments are aligned with what their customers want. Compensation schemes need to give more weight to corporate results rather than individual sales performance.