Cracking the Marketing/Sales Alignment Code

White Paper in a Glance:

This white paper summarizes the key points of the author's book The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code. The paper outlines a number of solutions that have been offered historically and why these solutions fail to stick. As the title of the book suggest, the real solution to this major dilution of organizational effectiveness lies in the assumptions organizations make relative to profit maximization. The argument of the paper is that maximizing functional productivity does not constitute profit maximization in the short or long term. Senior management must adopt a new perspective on maximization in order to escape the costly drain of marketing/sales disconnects.

Introduction

The United States is experiencing a soft economy and one can expect another surge of articles that bemoan the Marketing/Sales alignment issue. The reason for this phenomenon is simple: marketing and sales typically represent 25-40 percent of corporate cost and when results fall short of forecast, there is an escalation of friction between the two functions. Senior management often rationalize that marketing and sales are like gasoline and matches and they approach this friction as a scramble for resources as opposed to a fundamental alignment issue. Even when the alignment issue is recognized, senior management is reluctant to introduce change because there is an inherent risk of damaging the entire demand generation/management process. So the beat goes on and organizations squander resources and performance for the lack of a road map as to how to proceed.

Token Solutions

Over the past ten to twenty years there have been a number of solutions offered to address the alignment issue. The use of the word *Token* is not intended to be disrespectful of these suggestions but rather to reflect that they often mask the issue or treat the symptoms rather than address the core cause. In other words they foster understanding as opposed to seeking comprehensive synergy and coherence.

1. Some organizations have implemented Customer Relationship Management (CRM) systems with the notion that the structure will facilitate better integration between the functions but the result is often quite the opposite. Both functions view *process* as an impediment to creativity and the control aspect of these systems generates a mutual resistance to the common enemy (the system). Further, when there is friction in an organization, the introduction of a system is akin to throwing sand into a gear box. Many organizations have abandoned these initiatives during the design phase because the participants cannot agree on the day of the week much less the subtleties of the elements of a database.

2. Other solutions are based on an assumption that the underlying issue is one of the time horizon that each function operates within. Based on this assumption, the remedies foster: (1) cross training and rotating people between the functions, (2) closer proximity of the functions, and (3) an emphasis on ROI to create a results orientation. These techniques improve coordination at the operational level but leave the senior level intact.

3. Other writers have suggested that marketing has failed to effectively communicate its methods to the C-suite. The C-suite, in turn, recognizes the need for better market focus and leadership and hires a Chief Marketing Officer (CMO). Note that the two entities approach this position from different perspectives; the result is a very short tenured position that only further poisons the well for future success.

4. Lastly, there is the option of placing a senior executive (other than the CEO/COO) as a head of both marketing and sales. This approach makes sense if the issue is one of prioritization and the objective is to basically keep a *lid* on the friction.

The inconvenient reality is that none of these approaches address the root cause issue of a common driver for marketing and sales other than aggregate revenue, margin, and market share. Both functions have the common shortcoming of not being able to credibly define what's working and why. Before, introducing an alternative format, it is useful to review common performance perspectives for each function.

Common Performance Perspectives

The following discussion is not meant to be an exhaustive description of performance metrics but rather to outline the typical framework that one encounters.

1. The sales function typically has a revenue quota that is managed with quarterly targets and an aggregate number. This orientation dovetails with fiscal reporting but it fosters sandbagging and end of period dealing that erode value perceptions in the marketplace. The sales function gets the job done but the question is at what price? As with other organizations, the sales function operates with an expense budget that is pegged as a percentage of revenue. If the sales organization makes their revenue number and stays within budget they are heroes.

2. The marketing function can be broadly segmented into two groups: (1) product management and (2) program management. Product managers are given revenue, margin, market share, and budget targets that they are expected to meet on an annualized basis. Product managers are often pitted against each other in the pursuit of resources; the intention is to induce an entrepreneurial spirit but to the rest of the organization it may be viewed as a dysfunctional family feud. Product management competition carries over to the sales force in that each product manager is seeking to achieve a disproportionate share of sales mindshare. Product literature tends to position products at the 30,000 or the 3 foot level. Meanwhile, the sales force is trying to create a solution for a customer that involves more than a single product and must position the company in a manner that is beyond what is provided by marketing. Advertising performance is tied to market attitudes versus customer behavior (e.g. purchase and/or product recommendations).

   Program managers are commonly evaluated on the basis of their ability to execute programs on schedule and on budget with little accountability for their contribution. For example, so many trade show appearances or X number of leads generated. Performance is activity based versus market based.

Obviously, there are many degrees of freedom among organizations but it is not difficult with even this short discussion to recognize the ingredients for a volatile relationship between the functions. Each group believes that they are pursuing their respective objective with diligence and professionalism but they are working at cross purposes. What is the cost of this situation? Few organizations have any idea of the waste in terms of internal resources and diluted market presence.

The Courage to Act

There is an axiom within the change management discipline that management will act when they perceive that the pain of acting is less than the pain of not acting. If an organization is going to move beyond token actions, there must be an imperative that is so overwhelming that inaction is unthinkable. In the case of marketing/sales alignment, the most effective foundation for taking action is customer profitability and customer life time value. The rationale is as follows:

- The organization will be confronted with the fact that it has very little insight or data to support customer profitability.
- The analysis is very likely to jar presumptions regarding which customers are profitable and why. In other words, the analysis forces everyone out of their comfort zone and they will be more open to suggestions regarding next steps.
- The analysis forces marketing and sales to rationalize their allocation of resources in the context of how it impact customer behavior and profitability.
- Life time value places a spot light on the high cost of customer churn and the critical incidents that contribute to churn.

Thus, customer profitability forces a market focus as opposed to internally focused aggregations. There are however two very important provisos in pursuing this path for change:

1. The participants cannot be allowed to engage in *analysis paralysis* by being overly surgical in the precision of the numbers. The initial analysis will be crude and probably contain some inaccuracies; however, there must be an unwavering commitment for action and results.
2. There must be recognition that marketing and sales have deep seated differences that they cannot be reasonably be expected to resolve through their own efforts. Alignment will require a mandate and facilitation; there is no practical alternative outside of the CEO.

Given that the organization chooses to act, the remainder of the roadmap tends to follow a straightforward and logical progression:

Elements of a Roadmap

The analysis of customer profitability serves as a wake-up call and creates a market focus as opposed to a productivity focus. The roadmap therefore needs to continue to expand this market focus. The following steps illustrate a business to business (B2B) application:

1. How Do Customers Compete in their Markets?
   Other than the customer buying from sheer force of habit, retention is a function of relevance. If one wishes to improve or expand the relationship, the supplier must find ways to add value to the customer. The most fundamental way to do this is to help the customer to compete in their respective markets. This step forces marketing and sales to focus on the value needs and opportunities within the various segments.

2. What Constitutes a Solution?
   Whereas question no. 1 seeks to gain consensus regarding the definition of need, this question challenges marketing and sales to articulate what the customer would consider as a solution. This moves the discussion beyond individual products and addresses opportunities to serve the customer and the positioning of said solutions. It should be noted that for most companies, positioning represents the single greatest contributor to margin dilution.

3. The Customer Buy Cycle
   The battle cry for sales management is to shorten the sales cycle. Reduced sales cycles improve sales productivity, improve forecast accuracy, and reduce risk of losing deals. To be sure there are numerous ways that sales people fall on their own sword by not following through on opportunities; however, the most fundamental way that the sales cycle can be shortened is by facilitating the customer's buy cycle. Agreement on this topic allows marketing and sales collaborate in the creation of tools and content that positions the sales force to provide this facilitation capability.

4. Who Buys and Why?
   This step challenges the organization to define meaningful segmentation categories. It also addresses the whole issue of targeting which is another major source of contention between marketing and sales. Is the organization winning the right deals for the right reasons and results?

5. Proof of Value (POV)
   POV is a discipline that demands that the supplier make a presentation to customer management at least once a year that summarizes the value that the supplier has provided to that customer. The rationale for this discipline is that the reinforcement of value-add with the customer will contribute to loyalty and will reduce pressure on margins. Likewise, the discipline for the supplier forces marketing and sales to create content and tools to calculate the value-add; this process challenges the supplier to back up the message with validation.

6. Go To Market Process and Metrics
   The logical culmination of these steps is the creation of a process that aligns the efforts of marketing and sales plus the creation of performance metrics that reinforce this alignment.

Summary

Cracking the marketing/sales alignment code is a journey as opposed to a destination. The journey is likely to contain discomfort and confrontation but everyone must focus on the end goal. The cost of non-alignment is a burden that no company can accept and remain profitable in the long term.

About The Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations and is the Managing Director of GSP & Associates LLC, a consulting firm dedicated to helping organizations leverage and justify their investment in CRM related technology.

Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- Making CRM An Operational Reality
- The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code

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