NewLeaf Partners View Point

Aligning Strategy and Sales

Executive Summary

If the sales force is to be successfully aligned with the company's corporate strategy, four enablers need to be adjusted: The Sales Control System, Sales Enablement, Corporate Culture & Values, and Sales Leadership Capabilities. This paper focuses on one of them – the Sales Control System – to show how sales enablers drive behavior and why alignment is necessary.

"Knowledge must translate into capability"
Carl Philipp Gottfried von Clausewitz[1]

Successful Strategists Address Behaviors

von Clausewitz certainly didn't have sales staff and their managers in mind when he wrote his famous theory of war. Yet, his words have proven true again and again in the world of corporate business: It is seldom that staff and managers do not know *what* to do differently when things have to be changed; the challenge lies in the question *how* it should be done. In other words, they can identify the issues but cannot resolve them.

Strategists have numerous tools at hand to analyze strategic requirements for their companies. Equally, it is fair to say that the individual steps that are necessary for translating a general corporate strategy into action are well documented in the literature and understood in corporate boardrooms. With certain variations depending on what framework is being used, strategic goals are broken down into strategic measures, tactics, goals, activities and whatever the chosen approach foresees.

Managers and their subordinates usually have a well-structured approach to executing their corporate strategy. Why then do many of them fail to implement these strategies, especially when it comes to Sales?

A look at Clausewitz' times helps. Like Clausewitz, Antoine-Henri Baron Jomini had been serving as a general in the Napoleonic Wars. Like Clausewitz, he also published a treatise on war. The Swiss officer was actually one of the most celebrated writers on war in Napoleonic times. However, his works never reached the levels of popularity that Clausewitz's "On War" did and soon disappeared from public awareness.[1] Jomini's findings were based on the tactics and weapons of war at his time, and they became obsolete when the nature of war changed. Clausewitz' approach, on the other hand, was much more holistic, taking into account the psychological and behavioral aspects of warfare.[2] Clausewitz defined how strategy drives behavior – and vice versa.

Strategies Do Not Drive Behaviors – Strategy Enablers Do

In corporate terms, von Clausewitz's success teaches us that strategies will only be successful when they change the behavior of managers, employees and the organization as a whole. In Sales like in other corporate areas, the strategy process describes *what* should be done when. It is up to managers and management systems, company culture and values as well as enablers such as technology and infrastructure to frame *how* things should be done. A look at the world of Sales shows that it is not the strategy process but the strategy enablers that influence the way managers and employees act.

In the chart below, the left side draws out a typical strategy process as described above. Strategic goals translate into strategic measures which translate into sales goals which translate into sales tactics. Neither goals nor measures change salespeople's behavior, though. They are only a few words (and usually not rocket science) on a sheet of paper. Whether they really make an impact on people's behavior depends on the way they are enabled and enforced. On the right-hand side of the chart we have listed what we identify as four key strategy enables in the area of Sales: The Sales Control System that the company deploys, Sales Enablement measures and tools, the company's Corporate Culture and Values as well as its Sales Leadership Capabilities.

1 Lynn Montross, War Through the Ages (1969), p. 583.

2 Cormier, Youri. "Hegel and Clausewitz: Convergence on Method, Divergence on Ethics" International History Review, vol. 36, issue 3 (2014).

In this paper we want to focus on one of these enablers to show how sales enablers drive behavior, and how they need to be aligned to the company's strategy: we will focus on Sales Control Systems.

The term Sales Control System summarizes any formal and informal instruments, activities and routines that govern, guide and sanction sales-related behavior.[3] It includes, for example, the setting, monitoring and enforcement of KPIs; the rules and regulations that guide salespeople through their daily business; performance measurement and the sanctioning of violations; or sales meetings and management interventions. Two basic types of Sales Control Systems are typically used in companies, and usually they are not used in their purest form but adopted along a continuum: Outcome-based Sales Control Systems and Behavior-based Sales Control Systems.

Outcome-based Sales Control Systems measure the outcome of sales staff's (and management's) activities without much interference in the way these people work. Typically, sales staff are measured by comparatively simple metrics describing the outcome of their activities such as revenue or the number of new customers and not much else in those systems. Managers deploying outcome-based Sales Control Systems usually trust their sales staff's capabilities and see their people as being motivated mainly by external factors such as a high bonus or commission. Outcome-based systems do make sense in a variety of contexts. For example, when time horizons are short, revenue growth is the key priority in the company's corporate strategy, and salespeople are seasoned industry experts with lots of experience selling traditional products to existing customers, an outcome-based system may be the system of choice.

On the other hand, behavior-based Sales Control Systems – the equivalent of von Clausewitz' "philosophic" approach – tie into sales staff's activities and behaviors. Managers using these systems observe what salespeople do and how they do it. Metrics used in Behavior-based Sales Control Systems are derived from activities rather than results. As a consequence, they help managers to fine-tune salespeople's sales approach through close observation, frequent interaction and continuous coaching. Managers guide their staff using metrics like call volume and quality, understanding of customer needs, negotiation skills and other aspects of their behavior. Naturally, plan achievement and success criteria are in some cases less tangible and transparent than in outcome-based Sales Control Systems. Behavior-based Sales Control Systems make sense when, for example, salespeople have to be heavily involved in developing the company's solutions as the requirements for these solutions change frequently; when relationships are so critical that staff turnover has to be reduced to a minimum; when the company's go-to-market strategy has a long-term focus; or when sales cycles are very long and solutions are so innovative that they require a large amount of customer hand-holding.

3 Cf. Nigel F. Piercy David W. Cravens Neil A. Morgan, (1998),"Salesforce performance and behaviour-based management processes in business-to-business sales organizations", European Journal of Marketing, Vol. 32 Iss 1/2 pp. 79 – 100.

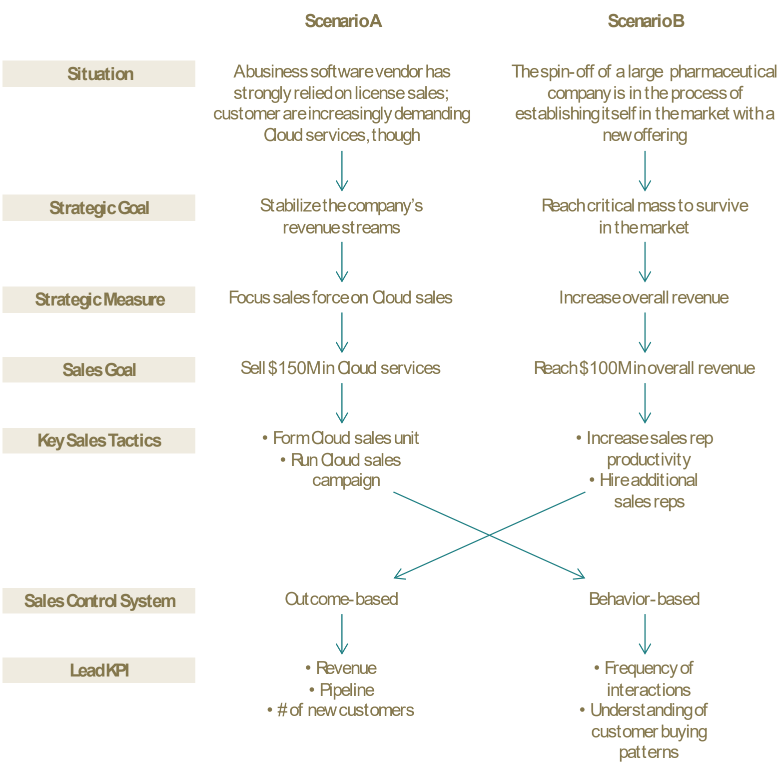
The chart below summarizes some of the key differences between both types of sales control system.

Result-based Sales Control System	Behavior-based Sales Control System
Sales staff are highly experienced	Sales staff are inexperienced
Sales staff are mainly extrinsically motivated	Sales staff are mainly intrinsically motivated
Product or solution is well established and understood	Product or solution is novel and needs to be explained
Sales strategy is established and not changing	Sales strategy is new and/or changing
Processes are well established	Processes are still in flux
Challenges in the market are well defined	Challenges are fuzzy, insecurity is high
Lack of time	More time is available
Management has little insight in sales staff's work	Management is able to pursue a hands-on approach

Enablers Need to Be Aligned With Strategies

Looking at Sales Control Systems, how they work and what they are supposed to do, it becomes very clear why a) strategies do not drive behavior but enablers do, and b) enablers need to be aligned to strategies. The chart below shows what happens when they are not:

In scenario A, the company is still using its traditional, outcome-based Sales Control System. After all, this system has worked well for decades and has helped to establish the company as a global top 3 business software vendor. The company's traditional business model was based on license sales. Customers (and, not to forget, analysts) are increasingly asking for Cloud services, though, so that corporate management has decided to hop on the Cloud bandwagon, establish a Cloud sales unit and push Cloud solutions. As a positive side effect, the company hopes the Cloud will help it to effectively counter illegal copies of its software. The whole strategy process has changed, and with it the objectives that need to be reached. Cloud services require a completely different sales approach from traditional software sales. The stakeholders that need to be won in the customer's organization change. Business talk is becoming more important than tech talk. Sales cycles, and with them revenue recognition, change. Salespeople have to learn how to deal with these challenges; but the outcome-based Sales Control System that the company is using provides neither the time nor the support for them to do that. As a consequence, salespeople are having difficulties selling the company's new offerings; sales productivity declines; employee and customer satisfaction decrease; and the company loses customers and revenue.



A behavior-based Sales Control System would be more adequate in scenario A as it provides close guidance and support for the salespeople to adapt to the requirements of the company's new strategy.

In scenario B, by contrast, a behavior-based Sales Control System is exactly the wrong thing to do. Here, the mantra of the corporate strategy has to be speed and size to reach a critical mass before the company is swallowed by a competitor. As the company has been developing and selling highly complex, innovative products, it has deployed a behavior-based Sales Control System. Is there sufficient time in the market for this system to bear fruit? Probably not. In this case, a strong focus on volume and revenue combined with an outcome-based Sales Control System would be preferable. Higher sales rep turnover may be acceptable as the business is still relatively young and long-established relationships may not yet exist. Fostering a more aggressive sales behavior and management may be useful even if it comes at the cost of losing some reps. After all, if the company does not grow to sufficient size it may get swallowed, and who knows what will happen then…

Conclusion

Similarly to the Sales Control System, all other strategy enablers need to be aligned with the company's strategy, too. A corporate strategy will not translate into a high-performing sales force if the company's culture and values are not aligned – ask the banks. Corporate goals will not be enforced if sales leadership is neither willing nor able to do it. And, finally, strategic directives can neither be successfully transmitted nor effectively monitored if the company does not enable its sales force with adequate infrastructure, processes and tools. Only when strategy enablers are aligned with strategy can knowledge translate into capabilities.

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