SALES & MARKETING

When Sales and Marketing Aren't Aligned, Both Suffer

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A Fortune 250 B2B company spent a quarter of a million dollars trying to solve the wrong problem.

A new product line had failed, and the company believed the problem was either poor product delivery times or lack of effort by the sales force. After throwing millions at both problems, they finally realized what the real issue was: misaligned goals between marketing and sales. The

product line was priced to grow market share, yet the sales force compensation was structured to incentivize salespeople based on profit margin maximization. As a result, the frustrated sales force focused efforts on selling other products in which the goals were more aligned.

This company isn't alone. Marketing and sales departments often set their strategies, and goals, separately from each other. Our research on B2B sales management found that in particular, a common problem is lack of alignment around product pricing and sales force compensation strategies. This both demotivates salespeople and inadvertently encourages them to sacrifice company profits to meet their own goals.

We conducted an experiment, preceded and followed by in-depth interviews with B2B salespeople, in which the salespeople were asked to read one of four scenarios containing unique combinations of goals of the pricing and compensation strategies. Over 150 B2B salespeople were involved in the research. The salespeople were from across industries and had an average of 15 years in the sales profession. Our research uncovered three dangers of misaligned goals of the pricing and compensation strategies.

Danger #1: Misaligned goals demotivate. When two goals are misaligned, it reduces the sales force's perception that they can achieve either goal. This is demotivating and can reduce their commitment to the organization. In this example, we had salespeople react to scenarios in which the goal pairings for price and compensation were, respectively, either market share growth and profit margin maximization, or the reverse. The misaligned conditions fared worse than if the goals were the same for both pricing and compensation. Our participants were well aware that prices increase for legitimate reasons and might at times be out-of-sync with their own compensation goals. However, salespeople were often reluctant to believe that every price change was warranted. One salesperson said bluntly, "It then takes educating your customer about why they have to pay more. A lot of times it is just BS." Another said despondently, "It's all corporate. We cannot change anything. This mismatch creates a teeter-totter where we have to decide what to sell and what not to push. It's really discouraging." The effect of the misaligned goals reduced hope of the salespeople and created a defeatist climate.

Danger #2: Misaligned goals signal unnecessary difficulty. Misaligned goals are perceived by salespeople as more difficult. While difficult goals are not necessarily problematic, the challenge is when the sales force believes that the misalignment of goals is simply unnecessary, or that the goal combination makes it impossible to be successful. A salesperson described his views on

price in terms of the actions he took, “I’m not going to go out and push it real hard when it is not right. I’m not going to talk about that product that’s too expensive relative to what I’m pushed to do.” Salespeople know and track the lost sales resulting from misalignment. As one salesperson stated, “We have goals, and every week I am walking away from a deal. When I don’t reach my sales goals, I pull those out and say we could have hit the goals but we walked away from this, this, and that. Lost sales opportunities.”

Danger #3: Salespeople will find the resources to achieve goals, at a cost. To compensate for the mismatch between pricing and sales force compensation goals, salespeople may offer additional resources such as free training, free freight, and customized products. Salespeople described a regular reaction to misaligned goals of adding ancillary services as a way “to sweeten the pot.” Salespeople were asked if they believed these additional services masked the true success of a product. “Definitely,” stated one salesperson. She added, “If they added the costs of flying people out for demos, our midnight phone calls....oh, [management] probably doesn’t want to really know what it costs. They think it is easy to sell anything.” While adaptive selling can be seen as a skill of a strong salesperson, in some cases it may be that that adaptive selling is disguising deeper problems or eroding profits.

Since misaligned goals are so costly, how can companies try to solve this problem? One way to align the goals more closely would be to involve salespeople in discussions of price. However, our research suggests this will be a difficult path for many companies to take. In the opening example, the sales force attempted to articulate the real problem of misaligned goals to management. However, management was convinced that the problem was rooted elsewhere.

An evident contrast between the sales management’s and the sale force’s views on pricing emerged from our research. Sales managers firmly believed that price was rarely, if ever, the problem in achieving sales success. This may be one of the reasons that the sales force was not involved in discussions of price setting. Instead, sales managers shared a view that salespeople often “cry wolf” when expressing to management that a price is too high for a given market.

Sales managers did not believe that salespeople should be awarded the ability to set or to influence price. A sales manager quickly responded with a laugh, “Oh, no way. You can’t give them pricing authority. No way. They’d go right to the bottom, to the path of least resistance.”

Another described what he believed was the limited view of salespeople concerning price saying, “Do they fully understand how we arrive at the pricing itself? No, they have no idea. When I was a salesperson, the only thing I was interested in was having the lowest possible price so that I could make the most sales.”

When sales were slow, sales managers did not blame price but instead tended to focus on sales force effort, or more specifically, the lack thereof. As one flatly stated, “I don’t think they are working hard enough.”

Salespeople, unsurprisingly, had a different view. The salespeople were very aware of marketplace nuances when it came to pricing. They felt that management did not have the same level of experiences and knowledge about customers, nor about the contemporary competitive landscape. A salesperson explained his views of management this way: “They overestimate, like most managers, the brand equity. They think that we should be able to command that price, that the distributor should pay that price, and that our products are better or that we are better. Everything we do is better; they think. They just ask us, ‘Why can’t you sell that? And why won’t they pay for it?’ They think all the theoretical stuff should just flow right through. They don’t actually understand the reality.”

Another salesperson said more bluntly of the managers, “They do not have a clue.” Another veteran salesperson conceded, “They [marketing management] don’t understand what price to set, they don’t understand how customers value their products. What management thinks and reality are different.”

While the managers in our study dismissed salespeople’s knowledge, the salespeople we interviewed clearly understood that prices may reflect underlying cost structures of the company. As one said, “The bottom line is that if the company doesn’t make money, none of us are here.” We think companies could benefit from early involvement and collaboration with the members of the sales force during initial discussions of product strategy, otherwise companies may fall prey to the three dangers that can result from misaligned goals.

Companies today face stiff competition from rivals and complex demands from customers. Their salespeople can be a resource in overcoming these challenges. Aligning the goals of the marketing team and the compensation strategies of the sales force is a necessary step, and should be part of a larger dialogue between both teams.

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I read one article which referred to how better communication within the organisation improved strategising and implementation. It provides your employees with the authority required to take experienced action which would allow for better returns to the company. Same here, until organisations do not learn that their employees feedback has weight, till then many organisations will suffer from not benefitting from the returns improved relationship performance brings to the organisation.

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