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# Essential Foundations for Achieving Sales and Marketing Alignment...

A White Paper from Inflexion-Point Strategy Partners

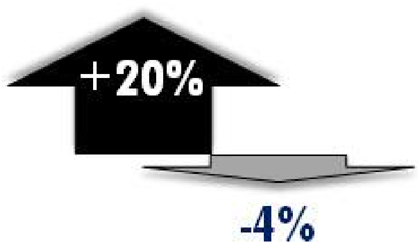
## About Inflexion-Point

Based in Reading, UK, we work with the CEOs and executive teams of high-potential B2B-focused organisations and their executive teams to systematically diagnose and deal with the issues that are constraining their sales and marketing performance.

## About this White Paper

Sales and marketing alignment is increasingly recognised as a critical contributor to sustained business success.

According to recent research published by the **Aberdeen Group**, despite the challenging recent economic conditions, highly-aligned organisations managed to average **20% annual revenue growth** - as opposed to a **4% decline** for their poorly-aligned competitors.




Our own detailed observations of top-performing companies have identified **7 essential foundations** upon which exceptional sales and marketing alignment can be built.

You can learn more about them in this white paper...

# Seven Essential Foundations

### 1. Develop a single unified plan for sales and marketing

Regardless of whether you've chosen to manage sales and marketing as two separate teams or as one integrated organisation, creating a single, unified plan for sales and marketing brings tremendous advantages in ensuring that everyone is on the same page and facing in the same direction.

### 2. Insist on an integrated approach to managing the revenue creation cycle

It's becoming increasingly important to manage marketing and sales activities as integrated steps in a revenue creation cycle that spans every stage in the relationship between the vendor and their target markets - from initial research and targeting through prospecting, qualifying, closing and subsequent account development.

### 3. Agree a clear service level agreement between sales and marketing

Your marketing and sales teams will benefit from agreeing and documenting a clear service level agreement that establishes common definitions for the key stages in the revenue creation cycle, as well as establishing how the two functions commit to work together to move prospects from stage to stage in the process.

### 4. Establish a common consensus about your "ideal customer profiles"

Ensuring that sales and marketing agree about the characteristics of an "ideal prospect" in each of your chosen target markets can help ensure that marketing efforts are targeted at finding more of the right sort of prospects, that sales people qualify accurately and early in the sales cycle, and that every action adds value to the prospect's buying process.

### 5. Pursue a relentless focus on data quality across the organisation

Poor quality data is a key contributor to many underperforming sales and marketing functions. You simply cannot afford incomplete, inaccurate or out of date information - and yet few organisations have developed consistent data quality measures, or have a programme for continuous data quality improvement. Data quality must become a critical initiative.

### 6. Establish performance metrics that span the revenue creation cycle

If they are to accurately predict future revenues, and diagnose and deal with the constraints that may be affecting performance, organisations need accurate visibility of the true state of their sales and marketing pipelines, including typical conversion rates from stage to stage and time-based metrics about how long opportunities take to move through the process.

### 7. Implement consistent goals, incentives and reward systems

Last, but by no means least, every member of the sales and marketing function must be focused and rewarded on the actions and behaviours that will create the greatest value in the revenue creation cycle. This requires a move away from activity-based incentives and towards outcome-based incentives that reflect the true contribution to the greater good.

Now, let's explore these 7 essential foundations in more detail...

# 1. Develop a Single Unified Plan for Sales and Marketing

Regardless of whether you've chosen to manage sales and marketing as two separate teams or as one integrated organisation, creating a single, unified plan for sales and marketing brings tremendous advantages in ensuring that everyone is on the same page and facing in the same direction.

The plan must incorporate the usual revenue, cost and profit objectives and establish key areas for growth and investment. In a rapidly evolving world, the most effective plans are living documents that focus on how the organisations are to be achieved and provide a flexible framework for continuous review and adaption and the management of change.

## Focusing on breakthrough issues and the management of change

We have a particular preference for the Hoshin Kanri planning approach that emerged as one of the key legacies of the lean six sigma movement. Hoshin applies systems thinking and a structured planning, implementation and review process to identify critical breakthrough issues and ensure that tactical execution is always tightly aligned with strategic intent.

The Hoshin planning process enables organisations to cascade their handful of critical initiatives down to departmental and individual strategies and tactics, whilst maintaining great clarity about responsibility, accountability and metrics. The approach encourages feedback, review and refinement, and a culture of smarter decision-making. You can learn more about Hoshin at www.inflexion-point.com/hoshin

## Key elements of the sales and marketing plan

Whatever planning format you choose to use, we recommend that your plan addresses our remaining six initiatives: revenue creation cycle management, service level agreements, ideal customer profiles, data quality standards, shared performance metrics and a consistent reward and incentive scheme.

One of the great benefits of creating a joint sales and marketing plan is that it can be used to not only ensure that the activities of the two functions are aligned, but also that their combined actions are relevant in some meaningful way to driving the revenue cycle.

## Translating strategic intent into tactical execution

The plan must successfully translate strategic intent into tangible tactical action, and ensure that every proposed activity has clear ownership, goals, timeframes and success measures. But there's an even more important test of any proposed tactic: how does this activity add tangible value to our prospects, or help to facilitate their buying decision process?

It's important not to lose sight of the fact that the primary objectives of any sales and marketing organisation are to uncover and profitably satisfy customer needs. So as you review the plan, and evaluate each proposed tactic, we encourage you to subject every activity to the test of customer relevance.

### Eliminating wasted effort

You might well be surprised - and may be a little embarrassed - to learn how many of your current sales and marketing activities actually make little or no contribution to your prospect's decision-making process. So we recommend that you use the annual planning opportunity to insist that the proponents of cherished sales and marketing programmes justify their proposals in terms of observable impact on buying behaviour.

As you review progress through the year, focus on outcomes, not activities. Reinforce the programmes that are demonstrating measurable success in terms of driving the revenue creation cycle - and be prepared to adjust, adapt or abandon programmes that fail to do so.

### Plans are nothing - planning is everything

It's probably worth reflecting on General Eisenhower's often quoted observation that "plans are nothing - planning is everything" (Winston Churchill said something remarkably similar). The real value of creating a plan lies in the logical thinking process that accompanies it, and in the creation of measures and metrics that enable the organisation to determine whether it is travelling on the right track at the right speed and, if not, what to do about it.

### Key suggestions when developing a unified sales and marketing plan...

- Focus on breakthrough issues and the management of change
- Establish an explicit connection between strategic intent and tactical execution
- Continuously review and refine the plan

## 2. Insist on an Integrated Approach to Managing the Revenue Creation Cycle

It's becoming increasingly important to manage marketing and sales activities as integrated steps in a revenue creation cycle that spans every stage in the relationship between the vendor and their target markets - from initial research and targeting through prospecting, qualifying, closing and subsequent account development.

Traditional organisations tend to think in terms of separate-but-related sales cycles and marketing programmes. The activities are often tenuously linked, and suffer points of failure where the two processes join - for example, in the failure to clearly define what an "ideal prospect", a "marketing qualified lead" or a "sales accepted opportunity" ought to look like.

### Adopting the revenue creation cycle

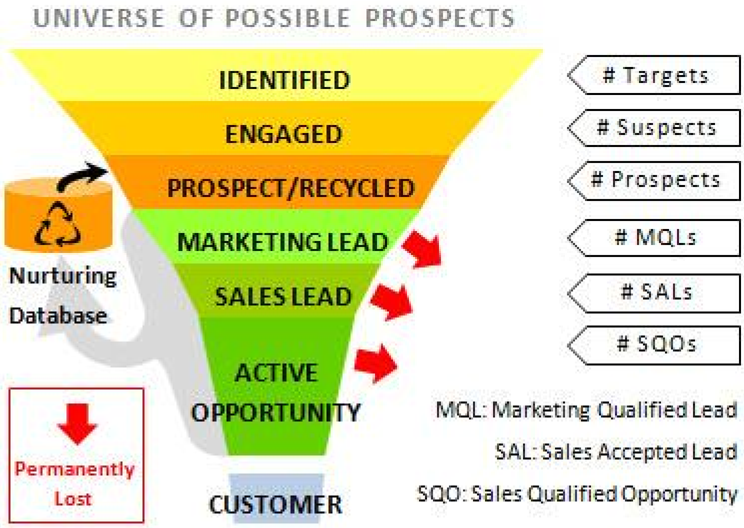
We will be addressing some of these definitional challenges in our third recommendation, but in the meantime we want to focus on the benefits of adopting a unified approach to managing the revenue creation cycle. Let's start by defining what we mean by the revenue creation cycle.

The revenue creation cycle spans every element of finding, winning and developing customers - from defining the target prospect universe, through the mixture of sales and marketing actions that serve to move potential prospects through every stage of their buying decision process - and which facilitate their continued development once they become customers.

## A single funnel

This requires that all potential prospects flow through a single funnel, rather than separate or disjointed marketing and sales pipelines. As illustrated below, the revenue cycle consists of a number of stages - the minimum we've found necessary for complex B2B environments consists of:

- All possible prospects
- Identified targets
- Engaged suspects
- Prospects
- Marketing leads
- Sales leads
- Active opportunities
- Customers




As you'll observe from the diagram, the revenue cycle is non-linear. Prospects may become visible to the vendor at any stage, and can leak from the cycle at any subsequent stage as a result of actions by either the prospect or the vendor, or they can be recycled back to a previous stage.

## Measuring velocity, leakage and recycling

It's clear that the velocity of deals as they pass from stage to stage, the extent and location of leakage and patterns of recycling all have a very important effect on the efficiency of the revenue generation cycle and on the vendor's ability to accurately forecast future revenue streams.

So in addition to merging marketing and sales activities into a single revenue creation cycle, we strongly recommend that organisations establish key metrics for these three key factors, in order to identify potential bottlenecks and inefficiencies in the customer acquisition process. We'll return to the subject of metrics in our sixth recommendation.

## Key suggestions when managing the revenue creation cycle...

- Manage sales and marketing activity as an integrated revenue creation cycle
- Establish a single unified sales and marketing funnel
- Pay careful attention to velocity, leakage and recycling

# 3. Agree a Clear Service Level Agreement between Sales and Marketing

Your marketing and sales teams will benefit from agreeing and documenting a mutual service level agreement that establishes common definitions for the key stages in the revenue creation cycle, as well as establishing how the two functions commit to work together to move prospects from stage to stage in the process.

The revenue creation cycle provides the foundation for this service level agreement. It incorporates clear definitions for the key stages in the customer acquisition and retention process - from initial research and targeting through prospecting, qualifying, closing and subsequent account development.

## Establish clear definitions

The service level agreement between sales and marketing must clearly document the expected characteristics of (at minimum) an “Ideal Prospect”, a “Marketing Qualified Lead”, a “Sales Accepted Lead” and a “Sales Qualified Opportunity”.

At their most effective, these definitions go beyond the demographic aspects (such as company size, industry or location) and explore the environmental and behavioural values that are often such powerful predictors of future sales success or failure.

## Focus on quality

These definitions help to prevent leads and opportunities from being thoughtlessly “thrown over the wall” from one function to the other without sufficient attempts to qualify them. They also place a strong emphasis on quality over quality, to the benefit of everyone engaged in the process.

## Agree mutual responsibilities

The service level agreement must document what the sales team commits to do with appropriately pre-qualified leads and opportunities when they are received from marketing. At minimum, the SLA needs to document how feedback will be provided, and within what timeframe.

To take one example, we’ve found it entirely possible - and highly appropriate - for the sales team to commit to either accept or reject a potential opportunity within 5 working days of receiving it from marketing and to provide a clear explanation of the reasons for any rejections.

## Use feedback to improve the process and eliminate friction

The insights from the feedback loop that is embedded in sales and marketing service level agreements are invaluable in diagnosing and dealing with constraints and bottlenecks in the revenue creation process.

We’ve often observed rapid improvements in the effectiveness of sales and marketing activities and programmes as a result of implementing mutual service level agreements. The quality of dialogue between the two functions is often dramatically improved, as is the ability to quickly identify and eliminate common sources of friction and wasted effort.

### Key suggestions when establishing service level agreements...

- Agree definitions, hand-off points and key responsibilities
- Focus on quality
- Use feedback to improve the process and eliminate friction

## 4. Establish a Common Consensus about your "Ideal Customer Profiles"

Ensuring that sales and marketing agree about the characteristics of an "ideal prospect" in each of your chosen target markets can help ensure that marketing efforts are targeted at finding more of the right sort of prospects, that sales people qualify accurately and early in the sales cycle, and that every action adds value to the prospect's buying process.

Conventional demographic indicators like company size, industry or location are no longer enough. Today's most successful marketing and sales organisations have also invested in understanding their prospect's environmental and behavioural characteristics - their goals, their challenges, the way they do business, and the factors that influence their decision making.

### Demographic, environmental and behavioural factors

These "soft values" are often the most powerful predictors of prospect behaviour, and the most effective means of qualifying your chances of doing business with them. They provide invaluable clues about how to recognise your best prospects, how to understand what is likely to matter to them, and how and why they choose to buy.

You'll want to understand the patterns of behaviour that characterise the organisations that represent the "best fit" for your company and its offerings. More can be gleaned from research and observation than you might initially think, and the remaining factors become the key issues your sales people need to explore in their initial conversations with a new contact.

### Building the ideal customer profile

We find that a lot of the information about key environmental and behavioural characteristics is already well known to the organisation - but all too often concentrated in the heads of the top-performing sales people, whether consciously or unconsciously. Your goal must be to extract these insights and capture them in a form that will be useful to everyone.

Another powerful source of these insights lies in win/loss analysis. We frequently find that even if organisations are fairly disciplined in conducting these analyses, they often ask the wrong questions. When we conduct the equivalent voice of the customer interviews, we're trying to understand what triggered their search for a solution in the first place, and to uncover the "moments of truth" that had a defining impact on their decision making process.

### Applying ideal customer profiles

Once ideal customer profiles have been established and documented for each key target market, the information must be used to focus marketing activities on connecting and engaging with more of the right sort of prospects. These profiles also provide an essential foundation for systematically improving the quality of prospecting data - a subject we will return to in our fifth recommendation.

But these ideal customer profiles are not just invaluable to marketing - they are highly useful for equipping the sales team with opportunity qualification checklists that allow them to identify particularly promising opportunities at an early stage in the sales process - and to qualify out and eliminate opportunities that are unlikely to close or represent a poor fit against the vendor's most powerful strengths.

### Key suggestions when implementing ideal customer profiles...

- Must be a joint effort between sales and marketing
- Embrace demographic, environmental and behavioural factors
- Apply the insights to inform marketing actions and improve sales qualification

## 5. Pursue a Relentless Focus on Data Quality across the Organisation

Poor quality data is a key contributor to many underperforming sales and marketing functions. You simply cannot afford incomplete, inaccurate or out of date information - and yet few organisations have developed consistent data quality measures, or have a programme for continuous data quality improvement.

Data quality must become a critical initiative, if only because the costs and consequences of having bad data are so significant. Bad data results in misdirected, inefficient and ineffective marketing and sales programmes, poorly qualified sales opportunities and in some of the worst cases reputational damage.

### Establishing a data quality strategy

The three key dimensions of data quality are completeness, accuracy and timeliness. Organisations must establish metrics and set standards for sales and marketing data quality that clearly defines what they need to know in order to most effectively support the revenue creation process.

A data quality strategy must, therefore, address the information requirements at every stage in the revenue creation cycle - and make it clear who is responsible for the completeness, accuracy and timeliness of each aspect of the required information.

### Data quality and the prospecting process

Organisations must apply clearly defined data quality standards to establish what they need to know about their key target markets, with particular regard to the target universe of potential prospects, and the proportion of that market for which they have complete, accurate and timely information.

Data completeness metrics typically include the proportion of key decision making roles that have been fully identified within target organisations, as well as the key demographic and environmental information including matters such as systems installed, preferred suppliers and a range of other information implied by the ideal prospect profile.

### Data quality and the revenue cycle management process

We recommend that organisations insist on an evidence-based approach when tracking the progress of opportunities through the revenue creation cycle. It's far more useful to understand what actions the prospect has taken - or has committed to take - than to simply record sales activity.

Prospect status must be based on tangible evidence of buyer behaviour, activity or commitment. In fact, we strongly recommend that any movement of opportunities from one stage of the revenue creation cycle to the next be dependent on this externally-validate evidence, rather than on the sales person's actions, hopes or beliefs.

### Systematically improving data quality

Establishing data quality standards and metrics are just the first step in the process. We strongly recommend that organisations regularly report on the quality of their sales and marketing data, set stretching targets for their continuous improvement, assign ownership for their achievement, and review progress on a monthly basis.

### Key suggestions regarding sales and marketing data quality...

- Focus on data completeness, accuracy and timeliness
- Formalise a data quality strategy and assign ownership
- Set stretching targets for continuous improvement

## 6. Establish Performance Metrics that Span the Revenue Creation Cycle

If they are to accurately predict future revenues, and diagnose and deal with the constraints that may be affecting performance, organisations need accurate visibility of the true state of their sales and marketing pipelines, including typical conversion rates from stage to stage and time-based metrics about how long opportunities take to move through the process.

We've already introduced the concept of the revenue creation cycle. The key metrics associated with the revenue creation cycle - in addition to the conventional ones of the number and value of opportunities - are deal velocity, the extent and location of leakage and patterns of recycling.

### The revenue creation cycle waterfall

One of the most effective ways of tracking velocity, leakage and recycling is by applying the concept of the revenue creation cycle waterfall. The waterfall measures the progress of prospects and opportunities from stage to stage in the revenue creation cycle.

Key waterfall metrics include velocity (how long it takes for an opportunity to flow from one stage to the next), leakage (what proportion of opportunities by number and value are lost from the pipeline at each stage) and recycling (what proportion of opportunities by number and value return to an earlier stage in their decision making process).

## Distinguishing between leakage and recycling

The distinction between loss and recycling is an important one: opportunities that are lost either no longer have a potential need, never had that need in the first place (poor qualification), or have satisfied the need through other means. Opportunities that are candidates for recycling still have the real or potential need, but are not in a position to satisfy that need at the moment because of competing priorities or lack of budget.

Prospects with a real or potential need that can't be satisfied for the moment become candidates for nurturing campaigns in which the vendor seeks to elevate the importance of the need over time through a sustained programme of thought leadership activity.

## Looking for patterns in the data

Much can be learned from the shape of the revenue creation cycle waterfall. Vendors should pay particular attention to stages with poor velocity or high leakage rates, since these typically indicate constraints or bottlenecks in the process. High leakage rates towards the end of the revenue creation cycle typically indicate poor qualification of deals, and may point to problems earlier on in the revenue cycle.

A focus on increasing deal velocity (= shortening sales cycles) can be equally productive. There is a growing body of empirical evidence from the TAS Group and others that proves that the longer opportunities stick at a particular stage, the less likely they are to close. We recommend that sales managers establish benchmark average stage times, and flag deals that exceed them for particular attention.

## Benchmark data and time and trend based analysis

The increasing interest in sales and marketing performance metrics has resulted in a growing body of benchmark data from organisations including CSO Insights, SiriusDecisions and the Aberdeen Group that can be used to identify best practice in managing the revenue creation cycle.

Time and trend based comparisons are particularly important when looking for patterns. Unfortunately, many CRM systems still do a poor job of capturing and presenting this time and trend based information, but this gap is being filled by specialised performance management solutions like those provided by Cloud9 Analytics.

## Key suggestions when implementing performance metrics...

- Measure performance across the revenue creation cycle
- Pay particular attention to velocity, leakage and recycling
- Implement time and trend-based comparisons

# 7. Implement Consistent Goals, Incentives and Reward Systems

Last, but by no means least, every member of the sales and marketing function must be focused and rewarded on the actions and behaviours that will create the greatest value in the revenue creation cycle. This requires a move away from activity-based incentives and towards outcome-based incentives that reflect their true contribution to the organisation's overall objectives.

We observe this problem most frequently in marketing metrics and reward systems, with marketers being judged on the volume of leads generated rather than the impact they have on pipeline value and revenue performance. Our recommendation is simple: activity-based reward and incentive systems promote poor quality behaviour and must stop.

## Focusing on outcomes rather than activities

Goals, incentives and reward systems must emphasise quality of outcome over quantity of activity - and unite marketing and sales efforts towards finding, winning and developing more of the right sort of prospects and customers.

To this end, it is far more valuable to measure and incentivise the marketing team on outcomes like the number and value of sales opportunities generated by marketing that are accepted by sales, the growth in sales pipeline value, and the achievement of revenue and profit targets.

## Encouraging smarter decisions

We've found that these outcome-based metrics and reward systems stimulate smarter decisions. They encourage marketers to think about the impact of their proposed programmes and activities on the revenue creation cycle as a whole, rather than as ends in themselves.

This joined-up thinking results in better resource allocation decisions. To take an example we recently observed, an evaluation of bottlenecks in the revenue creation cycle stimulated the marketing team to work with sales to design and deliver a simple but effective set of situational sales tools that dramatically improved outcomes in the form of shorter sales cycles and increased win rates.

## Supporting collaborative behaviour

Collaborative behaviour has become increasingly important to the revenue creation process. We've been particularly impressed by the potential for tools like Salesforce.com's Chatter application (think of it as "Facebook for the Enterprise") to facilitate joint problem solving.

Organisations have always known, often informally and without evidential proof, that certain individuals consistently make a disproportionate contribution to solving problems and getting things done. The new generation of collaborative tools is enabling the impact of these contributions to be made visible.

We heard recently from Mark Benoiff, CEO of Salesforce.com, that their own internal use of Chatter is stimulating them to reshape their reward systems to acknowledge and recognise the contribution made by these key players.

### Key suggestions when implementing incentive and reward systems...

- Base reward systems on outcomes, not activities
- Align marketing and sales reward systems
- Focus on value created and revenue and profit achieved

## Summary and Conclusions

The research conducted by the Harvard Business Review, Miller-Heiman, The Aberdeen Group, CSO Insights and others makes it unmistakeably clear. Sales and marketing organisations that are well-aligned outperform their competitors. The differences are dramatic enough to make the difference between success and failure, or between market leadership and an also-ran position.

The benefits are obvious, so perhaps it's no wonder that "achieving better sales and marketing alignment" is a top-3 strategic initiative from many B2B CEOs. But turning that strategy into reality requires a clear focus and disciplined execution. Our own research has identified 7 essential foundations that can help put ambitious organisations on the right track. Let's summarise them again one last time:

1. **Develop a single unified plan for sales and marketing**
2. **Insist on an integrated approach to managing the revenue creation cycle**
3. **Agree a clear service level agreement between sales and marketing**
4. **Establish a common consensus about your "ideal customer profiles"**
5. **Pursue a relentless focus on data quality across the organisation**
6. **Establish performance metrics that span the revenue creation cycle**
7. **Implement consistent goals, incentives and reward systems**

How well are you doing with regard to each of these foundations? Where are the most obvious areas of improvement? Sometimes an external perspective can help. If you'd like to benchmark your organisation against others in a similar position, we'd be happy to help - and to share what we've learned about best practices in sales and marketing alignment. You can contact us using the details below.

### About Inflexion-Point

Based in Reading, UK, we work with the CEOs and executive teams of high-potential B2B-focused organisations and their executive teams to systematically diagnose and deal with the issues that are constraining their sales and marketing performance.

Our evidence-based approach combines industry best practice with the winning habits of top performers in order to transform our client's revenue creation activities. Our experience may be able to help your organisation achieve the same.

INFLEXION POINT

REALISING THE POTENTIAL OF YOUR BUSINESS

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