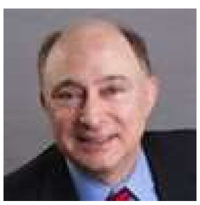
Leadership and Plumbing



"Leadership" is a growth industry. Amazon lists over 60,000 books about the topic. Most focus on emotional intelligence, charisma, avoiding narcissism (usually someone else's problem, according to these authors, not their problem), and other personality traits. But as a great organizational scholar, James March, once put it, *"Leadership involves plumbing as well as poetry."*

His point was that, whatever else they do, effective leaders help busy people in their firms to deal with the business problems they face and so increase their contributions and productivity.

This is especially true when it comes to customer acquisition and retention. But surveys indicate that many C-Suite leaders are out-of-touch with their firms' sales models and practices. To close the gap, start with good organizational plumbing in areas like communicating priorities and establishing a two-way process between C-Suite and sales leaders.

Priorities. It's tough to do well what you don't understand, and most companies are bad at communicating their strategies to their employees. Executives often resist making those priorities explicit out of fear that the information will get to competitors. That fear is unwarranted. The strategies of successful firms are usually well publicized in articles, case studies, and often by those firms themselves. For decades, Toyota allowed outsiders to examine its factories on-site, but as a study of Toyota's production system concluded, "observers confuse the tools and practices they see on their plant visits with the system itself." And as a leader, you have bigger things to worry about than competitors knowing your firm's priorities if your own people don't know them.

Strategic priorities are about the choices a company makes as it competes in a market. Some choices are explicit and put in a plan. But many are implicit in daily decisions about resource allocation. For example, any sales model makes implicit choices: money, time, and attention spent pursuing and servicing account A are resources not available for accounts B, C, and so on. The inevitability and impact of opportunity costs are most real in sales, and it's not the customer's responsibility to clarify your priorities. It's your responsibility to communicate priorities to the salesforce.

Not communicating priorities incurs other costs, organizationally, culturally, and strategically. A vague or unarticulated set of choices cannot be tested as market conditions change. People talk in abstractions ("innovate!"), while territory assignments and daily sales call patterns enact the sunk-cost fallacy: throwing good money after bad. If priorities remain implicit in the intuition of even a gifted leader, then alignment is only as strong as that leader's reach and, more often, as weak as the weakest link in the organization.

Without clarity about priorities, people—especially salespeople with quotas—only pick up random cues about strategy, and alignment is hit-and-miss. Over time, the company becomes a "global mediocrity": perhaps good at many things, but not very good at any particular things. And the essence of competitive advantage is being very good at things your target customers value and that others find hard to imitate.

Process. Alignment is a process, not a one-shot deal or teamwork speech at a meeting. It requires ongoing customer information for strategy development and then, in execution, relevant sales performance management processes.

Consider pricing which builds or destroys value faster than almost any other business action. Actual price realization means linking price, value, and selling behaviors. Does the sales compensation plan provide incentives for required behaviors? Does your firm have the information required to link price with customer value? How often do senior leaders actually test price and discuss what the results mean for framing and selling value?

My experience on Boards and in work with leadership teams is that quarterly financial results are tracked closely. But the information needed to examine and improve a key driver of bottom-line outcomes—how Sales frames and delivers the value proposition, including price—is often lacking. Or even worse, the incentive system emphasizes volume, while senior executives believe their strategy is about premium value in a segment. If a leadership team can't make these crucial connections between strategy and sales, it can end up pressing for better execution when the firm really needs a more market-relevant strategy or changing strategic direction when it should be focusing on selling basics.

Executives can't afford to leave this process to chance. Their oversight is as important here as it is in the capital budgeting process. It indeed starts at the top. But I am not suggesting, like many leadership gurus, that executives must somehow become renaissance women and men, knowing everything about everything. CFOs and CIOs, for instance, don't need to know how to manage a sales force. But they should know the key sales tasks inherent in their firm's strategy and the sales questions to consider in planning, budgeting, and operating reviews.

Conversely, sales leaders must be open to that scrutiny and have answers to questions about how their deployment, measurement, and motivation of sales resources align with the company's strategy and financial goals. When both sets of leaders are communicating, selling and strategy development improve.

Frank Cespedes teaches at Harvard Business School and is the author of *Aligning Strategy and Sales and Sales Management That Works*. Find out more here