GAME OF CHANCE?

Bob Apollo discusses the obstacles to accurate sales forecasting and makes the case for new tools that 'proactively' analyse early on which deals are likely to close

According to CSO Insights' survey of more than 1,500 sales leaders from around the world, less than half of all forecasted deals result in a win. It's no wonder that over 70% of the organisations surveyed admitted that their ability to close deals in the timeframe originally forecasted 'needed improvement'. The challenge in recently funded start-ups is even worse – in fact one frustrated venture capitalist was recently heard to observe that a monkey throwing darts could probably forecast more accurately than many of the sales teams of their portfolio companies…

Accurate forecasting has always been a key challenge for sales leaders. In the current economic climate, with growing evidence of risk-averse, 'prefer to do nothing' behaviour on the part of many potential buyers, it's never been more important for all sales team members to actively manage their pipelines – and for managers to have the ability to determine where they need to spend their time, and where they can make a difference.

Why CRM hasn't solved this

While many companies have invested heavily in CRM systems, most have failed to realise the benefits they had hoped for. Although the number one priority for sales leaders, year after year, has been to increase revenues, even now, after years of heavy spending in this area, only 30% report that their CRM systems have contributed to this goal.

It's no wonder that companies continue to suffer from 'end of quarter surprises'.

It seems that while many CRM systems are somewhat effective in capturing and centralising data about contacts, leads and opportunities, and are playing an important role in defining and automating the sales process, they are still not providing timely information in actionable form that enables sales managers at every level within the organisation to meaningfully improve sales effectiveness.

Put another way, most CRM systems focus on transactions, and not on trends. It's as if sales leaders are only able to see part of the big picture. Consider and contrast their situation with that of chief financial officers. The financial world has long been able to take snapshots of current data (in the form of reports like balance sheets) and also to analyse and predict events over time (in the form, for example, of cash flow analyses and income statements).

The inability to understand the effects of time or to be able to extract and interpret trends are some of the most important factors that prevent many of today's CRM implementations from realising their potential to improve revenue performance. It's time for sales leaders to have access to the sales equivalent of the rich range of reports, trends and insights that have long helped colleagues in the financial community to make better decisions.

'Focusing on proactive pipeline management can increase revenues by as much as 10%'

Proactive pipeline management

Managers need to be able to allocate their resources on the deals and the tasks that have the potential to make a difference. And yet all too often pipeline management is a reactive – rather than a proactive – process, when management is crying for actionable, real-time information. A McKinsey survey of B2B sales execs indicates that simply focusing on proactive pipeline management has the potential by itself to increase revenues by as much as 10%.

Proactive pipeline management directly impacts both current and future quarter performance. Facing the here-and-now challenge of maximising quarter performance, the

approach enables sales leaders to maximise the potential outcome from forecastable deals in the current quarter, by clearly identifying how and where they should be focusing their attention in the short term.

But the insights from proactive pipeline management can also have a powerful impact on future quarter outcomes. By identifying patterns of performance, the analytics that underpin proactive pipeline management can help organisations diagnose and deal with the bottlenecks affecting their long-term sales and marketing effectiveness.

Organisations that embrace this approach are better equipped to uncover the root causes of variation in sales performance – whether internal or external – and to take meaningful steps to address the underlying issues. They may, for example, be able to identify which salespeople need specific coaching or mentoring. They are also able to determine which marketing campaigns result in the fastest sales cycles, or the highest close rates, and refocus their investments accordingly.

What's holding you back?

The same McKinsey study identifies several obstacles that often have to be overcome. These include sales cultures that are focused on execution rather than analysis and planning, a lack of strict measures in conducting pipeline reviews, limited actions from sales management based on pipeline data, and lack of emphasis on improving opportunity outcomes based on analysis.

McKinsey also concludes that most companies have the basic CRM technology in place to be able to embark, with a modest incremental investment, on a programme to improve sales performance through proactive pipeline management. In particular, while systems already have much of the required data, companies lack the ability to extract, track and analyse changes over time.

In the past, such analytics would have demanded heavy investment in traditional business intelligence applications that cost six- or seven-figure sums to acquire, six months to a year to implement and require specialist IT staff to design, build and implement a system. In today's climate, the sales leaders I speak to regard that sort of delay in extracting actionable information as simply unacceptable.

In fact, when I founded Revenue Insights, we searched unsuccessfully for a 'plug-and-play' solution that could deliver value to our clients in days rather than months or years. But in the intervening period, a number of on-demand analytics companies have sprung up that are using the power of the 'software-as-a-service' model to deliver immediate value.

> 'Sales managers are forced to interpret what they hear against a backdrop of gut feel'

Recognising that you need help

So what are some of the signs that you might need a little help in managing your pipeline and forecast? Here are a few of the symptoms we've observed, but there are plenty more:

- You're a little uncomfortable about being asked for a 'cast-in-stone' forecast by the CEO or CFO – and you dread the follow-up: "Exactly how are you going to get to that number?"
- You're not completely sure where you need to focus your attention, or where you need to intervene to hit your target for the quarter
- You're basing most of your decisions about where you need to spend your time on the basis of gut feel, rather than on metrics and analytics
- You can see the value of your pipeline is different to the last time you ran the report, but you can't easily identify which deals have changed, or how
- You're struggling to work out which deals are stuck in the pipeline and failing to move, or to understand why, and what to do about it
- You go through a painful routine to extract the data you need into a spreadsheet for your pipeline reviews with your sales team – and then spend half your time 'staring and comparing' to identify the differences from the previous version.

Well, if it's any comfort, you are not alone. The experience seems a particularly common one – and managers have much better things to do with their time than having to go through the stare and compare routine every time they get together with their teams to review the sales pipeline and update their forecasts.

Stuck in 'stare and compare'

The typical pipeline review meeting seems to follow a similar format. The sales manager usually starts by trying to understand what's changed between the last review and this one, while salespeople are focused on managing expectations and positioning their deals – sometimes with a level of dissimulation that would shame a political spin doctor. The sales manager is usually forced to interpret what he or she hears against a backdrop of gut feel for whether each salesperson is usually conservative or optimistic, and whether each of them is typically in control or 'winging it'.

The challenge is hard enough in small sales teams where the sales manager has a close and direct relationship with every quota carrier – but the task is nigh-on impossible in larger, multi-layered sales organisations where the sales leader lacks this direct and intimate connection with every salesperson, and every deal. The manager can easily spend the first half of the discussion (or more) simply establishing the facts – what's happened, what's changed, and what's being done to advance the sales cycle.

It would be far simpler – and much more effective – if sales managers had

an up-to-the minute picture of what's changed in front of them prior to the meeting, so that they didn't have to waste valuable time simply working out what they should be talking about.

Strategy, not status

Proactive pipeline management enables managers to devote their attention to strategy, not status. By monitoring activity, identifying changes and establishing trends, it equips sales leaders and managers – and their salespeople – with the information they need to sell smarter, and not just harder, and to focus on where they need to get to, rather than where they are.

Trend information can be particularly valuable to managers who are struggling to prioritise their time and the resources at their disposal in order to maximise outcomes. An on-demand report that identifies which deals have fallen out of the quarter, and which have been added can help determine where the forecast may be at risk – whatever the headline figures say.

The time that forecasted deals have spent in their current stage can be equally important. For example, the manager may determine that for a given deal to close as forecasted it may have to progress through the remaining steps in the sales process three times faster than similar deals have done in the past. The insight might cause the manager to focus particular attention on the strategy and activity associated with the deal – to see whether optimism has overtaken reality on the part of the salesperson.

Actively managing the pipeline in this way gives the manager the chance to intervene at the point where they still have the opportunity to change the outcome, rather than discovering the disconnect when it is too late. Equally, they can identify deals that are at risk while there is still time to replace them with others that show greater potential. One of the particular consequences of a proactive pipeline is that it provides management with information they can act on.

> 'Trend data can be particularly valuable to managers struggling to prioritise their time'

Value, volume and velocity

Conventional CRM reporting tends to focus on the volume and value of deals in the pipeline. It ignores the importance of velocity in sales success. Most sales managers have developed a gut feel that tells them that the longer a deal has been stuck at a particular stage, the less likely it is to close, now or in the future.

Sales momentum – or deal velocity – is usually a powerful leading indicator of the chances of success. But because many CRM systems lack the ability to track and report the effects of time, or to highlight 'stuck deals', it's harder than it ought to be for managers to focus their attention on the problems, identify what's preventing progress, and diagnose and deal with the bottleneck, qualify the project out or set it to one side for nurturing in a future quarter.

Better to lose early

In my many years as a sales manager, I found that one factor particularly distinguished my top performing salespeople from the also-rans – they had what seemed to be an uncanny ability to qualify unpromising deals out early. The average salespeople, on the other hand, had a tendency to hold on to deals long after they were, with the benefit of hindsight, unwinnable.

The analytics that underpin proactive pipeline management enable sales managers to identify the characteristics that seem to result in deals moving more quickly through the buying process, and to prioritise campaigns and activities that have the potential to generate more of them. Analytics can also help managers identify salespeople who seem to have a particular difficulty in moving deals through stages in the process, and offer them corrective coaching.

Implementing a proactive pipeline

The new generation of on-demand, role-based business intelligence systems are enabling sales organisations to put proactive pipeline management into practice and start extracting actionable insights within days – in time to positively affect performance in the current quarter. They are a far cry from classic 'take too long, cost too much' approaches to business intelligence.

The speed with which actionable information can be delivered is remarkable. In one recent example a 2,000+ seat Salesforce.com implementation was able – 24 hours after installing an on-demand role-based sales business intelligence application – to extract comparison information that could only have previously been generated through time-consuming, error prone and complex spreadsheet manipulation.

Unlike this firm's former spreadsheet-driven approach, all the information provided also fully respected the security structure and role hierarchy it had established – so that only the people who were authorised to view the data could do so. Other major benefits have consistently included increased pipeline conversion rates, a steady increase in revenue, and higher CRM adoption rates at the frontline.

An increased CRM adoption rate is not accidental and is clearly highly desirable. If salespeople can see that the information they submit contributes to their chance of success, they are much more likely to provide complete and accurate data.

What next?

So, how did your last quarter end up? Did you manage to avoid any late in the quarter surprises? Are you sure that all of your sales resources were optimally applied to the task of maximising revenue? If you see scope for improvement in any of these areas, it's probably time for to embrace proactive pipeline management.

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