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consultancy & training

The iSoS© Sales Conundrum

# Part One - "Falling Short"

Welcome to the Improve Consultancy SoS© Sales Conundrum. Let us have a look at a typical Sales Pipeline; this is a simplified example, yet the principals are plain and clear.

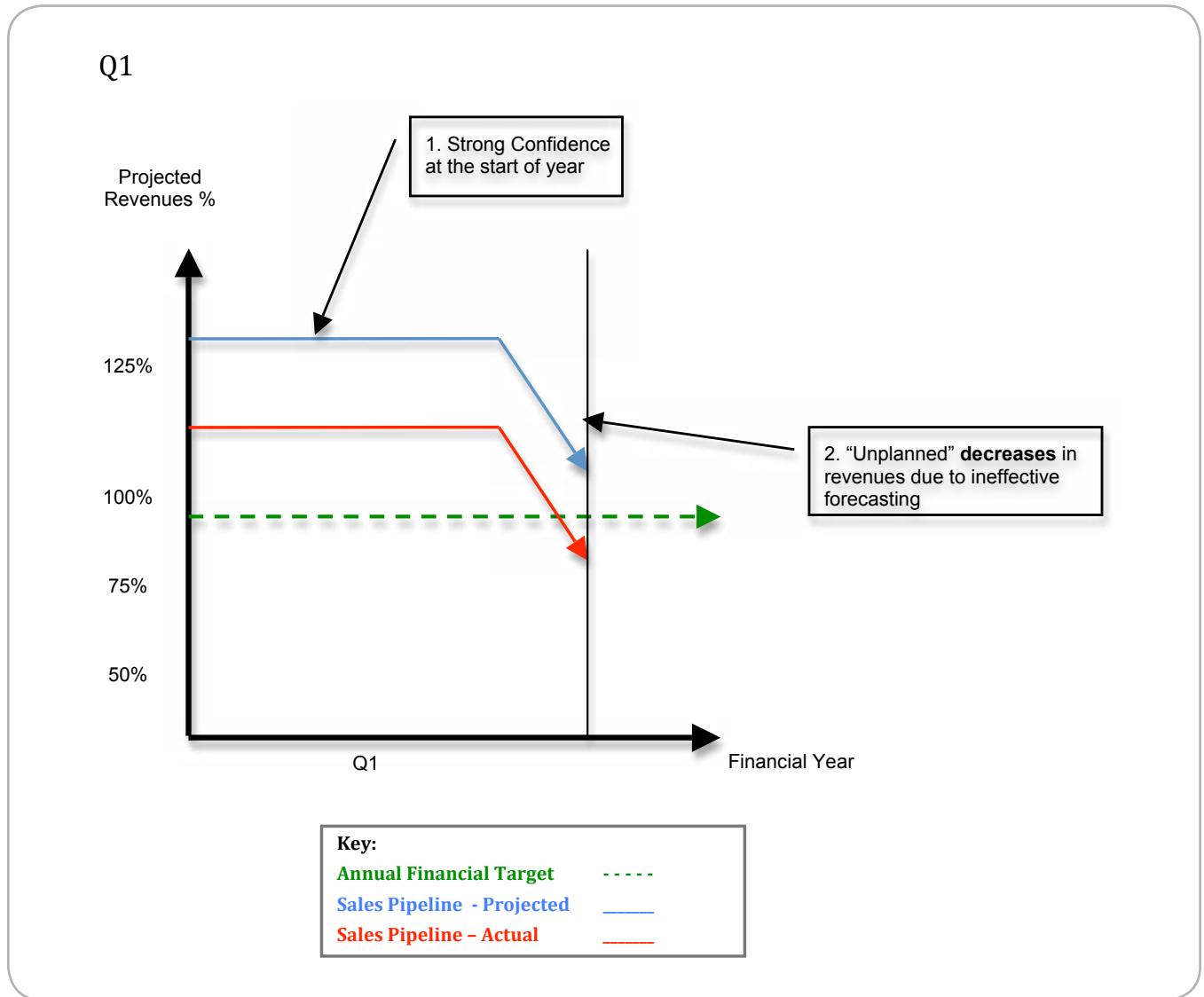


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Over the financial year of a company does the above sales pipeline scenario sound familiar to you?

# Sales Quarter 1

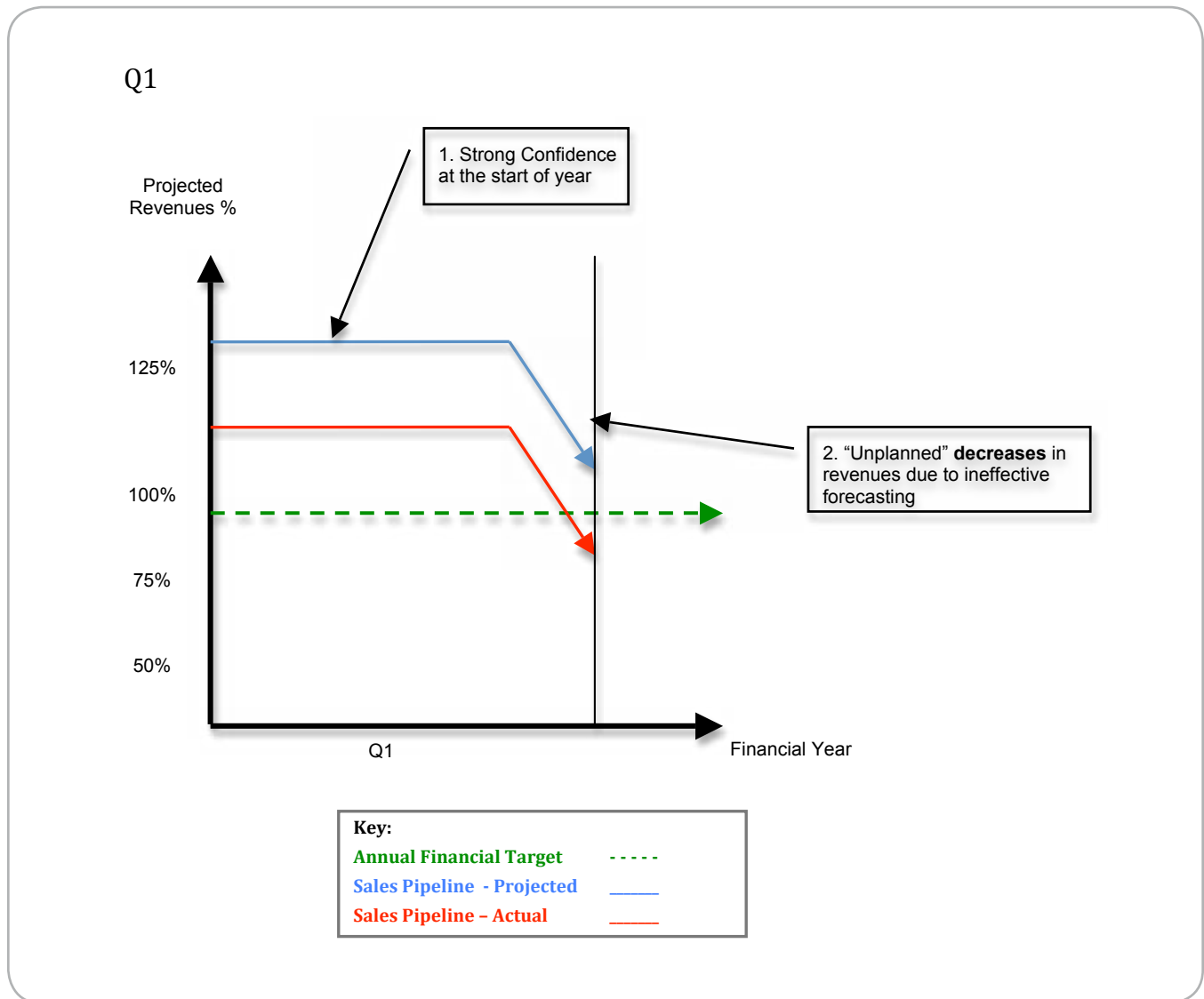


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- Like all companies, an annual sales financial target has been set
- The sales force are confident they can either over achieve their sales target, or may have allowed for slippage, either way they have set a target in excess of the annual sales target.
- The sales forecast looks confident, Q1 starts off looking strong
- However, in the last weeks of the quarter doubts about closure begin to appear
- Clients are suddenly stalling, orders are smaller than expected
- The sales force fails to delivery Q1 targets.

## Sales Quarter 2

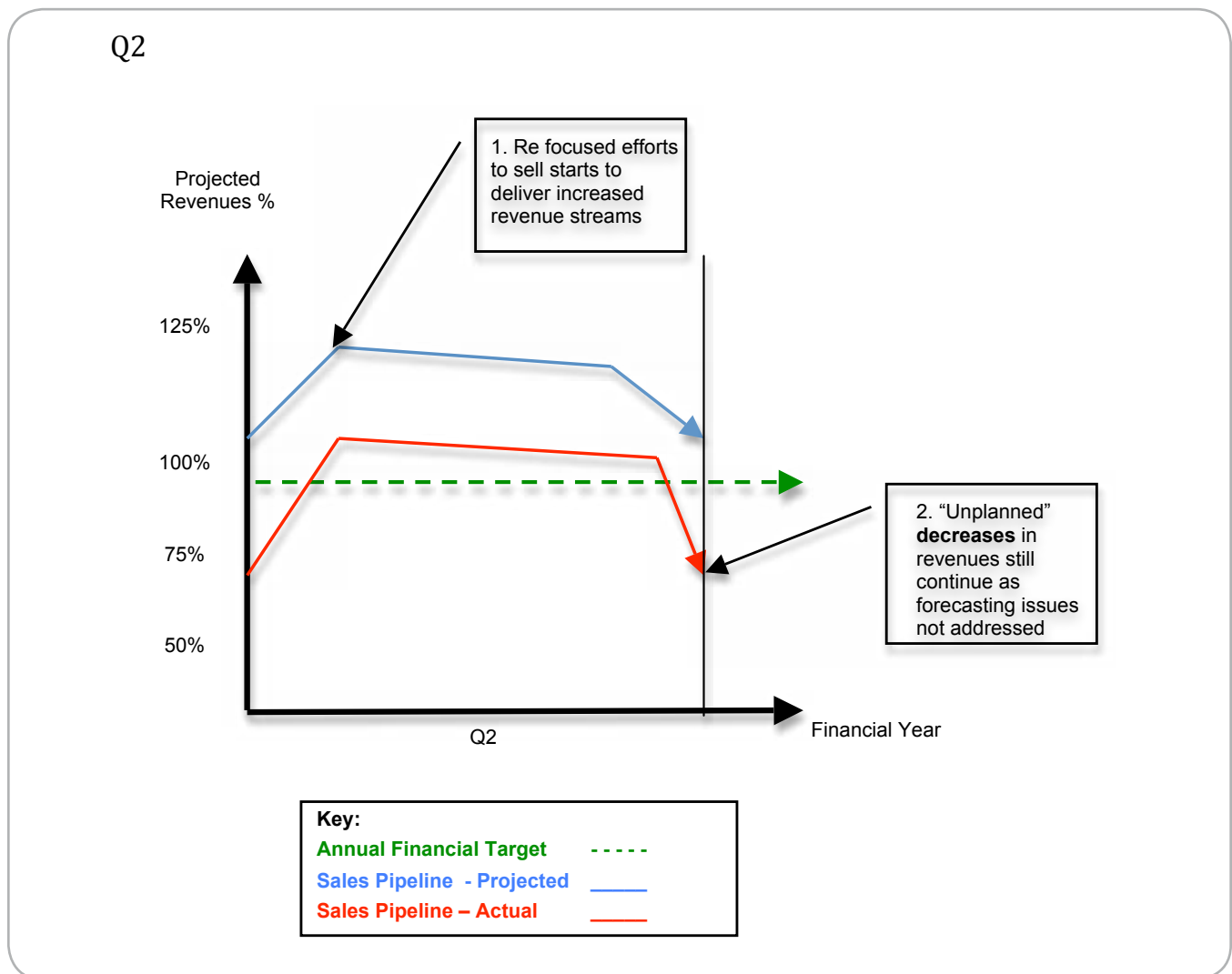


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- With Q1 targets missed, it's now imperative that Q2 goes well.
- The sales team are still quite confident that Q1 slippages can be recovered; accordingly they forecast sales to be higher than the annual financial target. However, there is little margin of safety against the current pipeline.
- But the sales force remains confident in their targets and believe they can deliver in Q2 plus make up the shortfall
- However the problems of Q1, become the problems of Q2, the same pattern is repeated
- Sales in the first half of the year are below the annual financial target
- Not only that, but the sales team have not delivered on the confident forecast they made at the beginning of the year
- Orders have been lost, and the rest of the business only found out about the reduced sales late in each quarter. This has had implications for the whole organisation.

# Sales Quarter 3 and 4

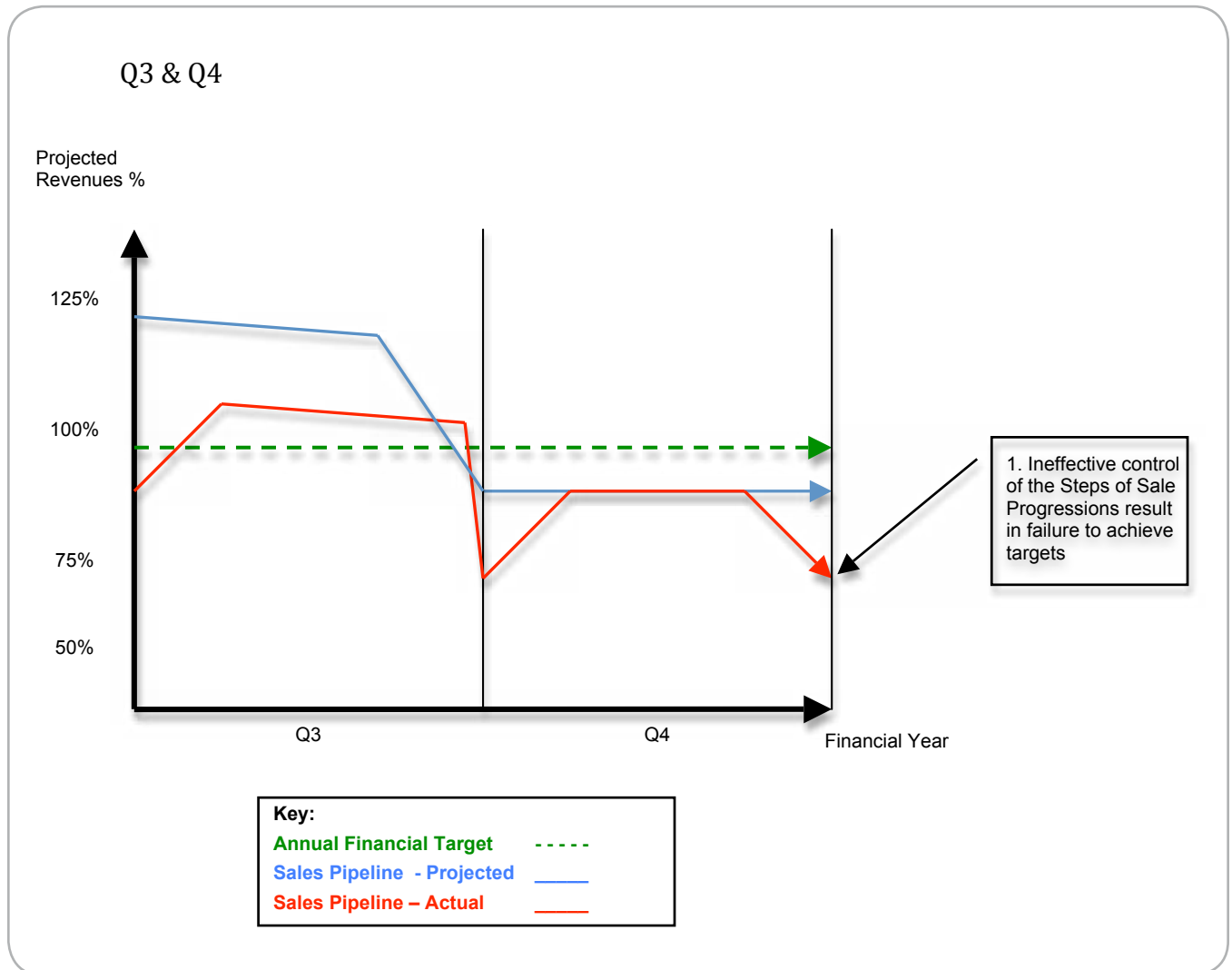


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- In Q3 the sales team are by now losing their confidence in forecasting sales pipeline and achieving sales revenues
- There is an acceptance that they will not over achieve on their sales forecast.
- They now re-adjust their forecast again, predicting sales just above the annual financial target for Q3.
- However the truth is now clear, the sales team are not in control of the sales pipeline, Q3 targets are missed
- In Q4 both sales forecast and actual sales are under the required annual financial target
- Throughout the year the sales team have failed to deliver against targets
- Failure to control and manage sales expectations, impacting upon cash flow, operations and profit calls into question the sales teams ability to deliver.

# What went wrong?

- So what have we learnt from this simple example?
- Firstly and most importantly, this is not an unusual situation.
- Let's consider some possible reasons for failure: -
  - There was no control over **WHERE** each opportunity was in terms of the sales cycle until it was too late each quarter this was due to the sales forecast being based on a subjective measurement system as opposed to a robust one
  - The opportunities did not necessarily disappear off the radar they may have slipped into the next quarter.
  - Yet the overriding factor was that the sales process was not accurately controlled -as a result there would be no clarity of the sales pipeline.
  - Management would be unable to see potential stalls in the sales process, missing vital early warning signs, which would otherwise have been a call to action to remedy the developing problems.
  - If it can't be measured it can't be controlled without adequate data and information, management's ability to act early and be pre-emptive is seriously reduced.
  - In order to supply that vital information, management need a rigorous reporting process which is simple, easy to implement and relevant in terms of information.

## Lessons Learnt

- Need to control each step of the sale
- Need transparency across the sales process
- Need to clarify around what and how sales are measured
- Need to have a rigorous reporting process
- A sales team needs ability in;
  - Competencies to drive skill, behaviours and knowledge
  - The right behaviours to realise sales
  - The knowledge to be able to deliver

However there are two sides to the Sales Conundrum.

Let's briefly look at the reverse scenario where sales exceed forecasted targets.

## Part Two - "Sandbagging"

Logically the failure to meet sales targets is only one half of the Sales Conundrum. What about the scenario where sales are exceeded beyond targets?

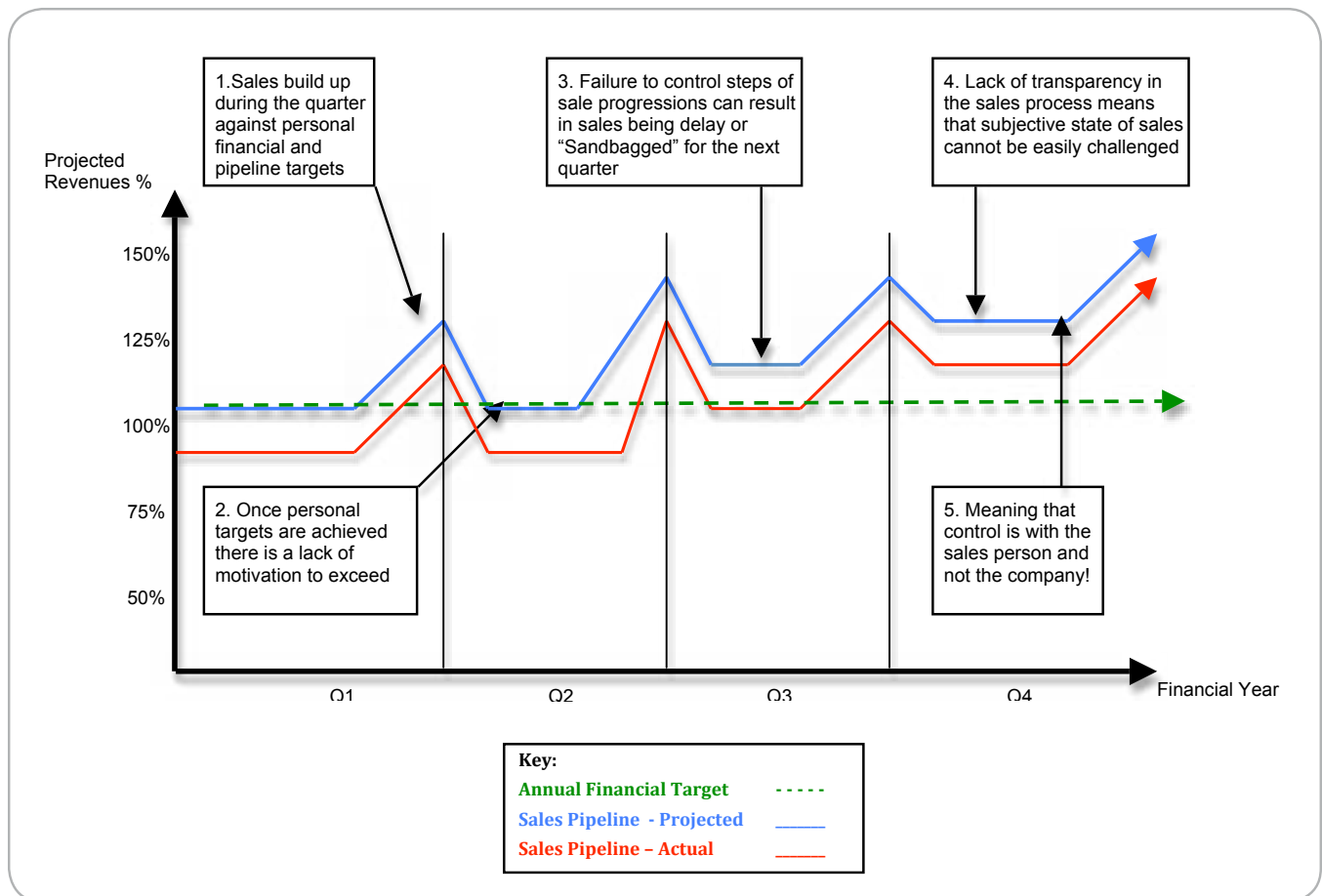


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## Sales Quarter 1-4

- As before an annual financial target is set.
- But unlike the previous example the sales force is very guarded about both pipeline opportunities and also delivery
- So they forecast low sales and for the first months of the quarter sales are low, however, towards the end of the quarter the sales forecast and actual numbers dramatically pick up
- Even though targets are achieved, this example gives the organisation a whole different set of problems.
  - Again, without adequate control measures in place the organisation will lack the ability to achieve a combined accurate forecast across its complete value chain.
  - Production may not be able to flex to meet the unexpected sales in time causing fulfilment issues for customers and overtime in other areas of the business
  - The organisation may have notified investors of a bad quarter, reduced inventories, or even laid off staff, unaware that sales were being 'sand bagged' by the sales force.

## Why Does This Happen?

- So what have we learnt from this simple example?
- We can group the causes into two areas; Process and People.
- Failure to control and monitor the sales forecast leads to a situation where management is not in control of the company.
- Although sales may hit targets, failure to have total transparency of where each sales has progressed means that the organisation in whole cannot accurately manage its total value chain.
- In addition, the organisation may need to question its existing information systems.
  - Can they deliver the appropriate information at the right time in a measurable way?
- Secondly there may be an issue with the People.
- Do they have the right skills and knowledge to be successful within the target market?
- Does marketing provide them the right quality and number of leads?
- Do they have the competencies, capability and motivation to deliver the sales forecast?
- Again, without a clearly defined sales process and a rigorous reporting environment it is not easy to answer these questions.

## How does Improve Consultancy SoS© solve the Sales Conundrum?

- We look at the sales process and forecasting bringing rigor, measurability and control back to the sales people and management so a snapshot of performance is always available.
- We ensure that the business has control over exactly where each sale is in its life cycle and what's required to ensure that sale is effective.
- By introducing a simple dashboard reporting system we ensure that focus can be given to problems and issues quickly so that appropriate action can be taken.
- To be successful a sales team has to have the right knowledge and the right skills for your specific sales environment to deliver the results that you need
- At Improve we assess your sales peoples existing capabilities to ensure they are the right for your target market. We then construct an implementation plan with you to develop your sales people with correct level of competency to ensure they have the ability to deliver
- The combination of highly capable people executing best practise competencies supported by the right processes will ensure that the organisation is well equipped for future success.