

SALES

# Companies with a Formal Sales Process Generate More Revenue

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How well is your company managing its sales pipeline? Research conducted by Vantage Point Performance and the Sales Management Association revealed that 44% of executives think their organization is ineffective at managing theirs. (The survey included 62 B2B companies, 39% of which have revenue greater than \$1 billion and 37% of which have revenue greater than \$250 million.) This statistic is discouraging because there is a direct correlation between effective pipeline management and strong revenue growth.

In our survey of B2B companies, executives were asked to rate their company's year-over-year change in revenue on a scale of 1 to 7, with 1 representing "drastically decreased revenue" and 7 representing "drastically increased revenue." Executives were also asked to rate their company's effectiveness in managing the sales pipeline. On average, companies that reported having ineffective pipeline management had an average growth rate of 4.6; companies with effective pipeline management had an average growth rate of 5.3, a 15% increase. Even more interestingly, companies that mastered three specific pipeline practices saw 28% higher revenue growth.

What did these top companies do to achieve such a high level of success? Here are the three best practices that these all-star sales forces have in common, as well as ways to implement them in your company.

**Clearly define the sales process.** Pipeline management includes how the sales pipeline is designed, how it is measured, and how it is used to drive sales rep performance. However, at its most basic level, the sales pipeline is merely a representation of a company's sales process. We discovered that sales forces were most effective at managing their sales pipelines if they had invested time in defining a credible, formalized sales process. In fact, there was an 18% difference in revenue growth between companies that defined a formal sales process and companies that didn't.

So what does it mean to have a formal sales process? For starters, it means having clearly defined stages and milestones that are universally understood by your salespeople. Your sales team shouldn't have to guess where a particular deal stands or how they should be managing

deals in each stage. In addition, your sales process should align with how your customers move through their buying process. Too many sales teams use generic sales processes, and consequently get generic sales performance. Invest the time in developing a unique process for your team, and make sure that they understand how to use it.

**Spend at least three hours a month on pipeline management.** In addition to having a solid process in place, our research revealed the importance of dedicating enough time and resources to carrying it out well. Companies in our survey that spent at least three hours per month managing each rep's sales pipeline saw 11% greater revenue growth than those that spent fewer than three hours per month. But success doesn't just depend on the amount of time that's spent on pipeline management - *how* the time is spent is just as important.

Many sales forces believe they are spending a lot of time managing their pipelines when in reality they're spending a lot of time creating forecasts. If your pipeline management discussions revolve around close dates, probabilities, and deal sizes, then you are forecasting. Period. If, however, you spend your time discussing the overall health of your sellers' pipelines and how they can shepherd more deals to successful closure, then you are managing your pipeline in a productive way. The primary focus of a pipeline meeting should be to help reps develop a game plan to move deals forward, not just scrubbing CRM data and forecasting revenue.

**Train sales managers on pipeline management.** Our research also revealed that 61% of executives admit their sales managers have not been adequately trained in pipeline management strategies and techniques. This begs the question, "How can we expect our sales managers to do something well when we haven't prepared them to do it?" Companies that had trained their sales managers to manage their pipelines saw their revenue grow 9% faster than those that didn't. But not just any training will do. Sales managers need targeted training to address specific pipeline management challenges.

Most pipeline training that sales managers receive is limited to how they log in to their CRM tool and generate reports. What they really need is training in how to make better pipeline management decisions. For instance, sales managers need to know how to determine the ideal pipeline size for each rep. They need to know at what point in the sales process their actions have the biggest impact. And they need to know how to structure pipeline meetings so they enable coaching rather than inspection. Even these few skills can have a significant impact on sales force performance.

Ultimately, pipeline management is a critical activity for all sales forces, and better pipeline management can make a huge difference in sales performance. Our research shows that there are no secrets to realizing this increased performance – you must define your sales process, commit to good pipeline management, and enable your managers to carry it out. If you integrate these best practices into your sales force, you can expect to nail your forecasts, hit your quotas, and see your sales reps succeed beyond what you thought possible.



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