

Best Practices for Pipeline Management

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INTRODUCTION

In today's highly competitive and volatile marketplace, the ability to effectively manage the sales pipeline can have a profound impact on a company's financial health. Examples abound of companies that either fail to realize—until it is too late—that they are going to miss their quarterly revenue number or realize that problems loom ahead and are unable to identify how to change course.

The impact can be harsh on companies with insufficient visibility into their pipelines. Not only will companies that fail to meet quarterly expectations likely face the wrath of Wall Street, but they will often experience an equivalent amount of pain at the operational level as well. Sales forecasts, after all, serve as the basis for planning a company's expenditures on everything from marketing and product development to new capital equipment. An inaccurate sales forecast can produce misguided corporate planning, hurting profitability.

As the CRM market leader, Oracle has helped thousands of companies of all sizes—in a wide variety of industries—improve their pipeline management processes. Pipeline management is defined in this paper as diligently forecasting the state of the business, diagnosing and pinpointing the specific problems affecting sales performance, and planning appropriate actions to fix any shortcomings. It may sound straightforward, but Oracle has found that it is rare for companies to adequately address all three elements of pipeline management. In fact, most companies stop at the forecasting stage, and even then, the forecasts often prove to be inaccurate.

This paper will discuss some common factors that impact a company's ability to effectively manage the pipeline and focus on the following process and organizational best practices that can help companies overcome their challenges and establish a critical competitive advantage:

- Have a clearly defined sales methodology
- Capture quantitative and qualitative information about each opportunity
- Focus on performance and effectiveness metrics
- Develop forecasts from multiple perspectives
- Translate forecasts into action

CHALLENGES THAT IMPACT PIPELINE MANAGEMENT

Organizations today face tremendous pressure from multiple angles. Economic uncertainty and market volatility threaten companies' ability to accurately develop and execute upon their business plans. At the same time, investors continue to exert pressure to increase profitability and manage costs, while competitors continue vying to win market share.

Meanwhile, companies are dealing with their own increasing organizational complexity as they manage multiple sales channels, geographies, and lines of business. Along with this added complexity often come different forecasting needs and methods of revenue management. For example, some departments may recognize recurring revenues, while others recognize revenues on a fixed-fee basis—not to mention the multiple currencies that may need to be reconciled (often manually) as well.

The inclination of companies to sell through multiple sales channels has also complicated the pipeline management process. Selling through a direct sales force, resellers, a telesales organization, or through the Web—or a combination of these channels—makes it more difficult to consolidate critical sales data into one forecast. Moreover, companies with broad, complex product lines often sell “solutions” that are comprised of multiple individual products and/or services—frequently resulting in the assemblage of teams of sales representatives that report to different product organizations. As a result, when it comes time to roll up a forecast from the field, the information may be scattered in multiple locations.

PROCESS AND ORGANIZATIONAL BEST PRACTICES FOR PIPELINE MANAGEMENT

Leveraging the experience from thousands of deployments of sales force automation applications, Oracle has documented some very valuable lessons for maximizing companies' success in pipeline management.

Have a Clearly Defined Sales Methodology

Without a clearly defined sales methodology, sales representatives lack a common framework and language for assessing opportunities. For example, sales representatives in one geographic region may have a very different understanding of “qualified opportunity” or “80 percent chance of closing” than the representatives in another region. Moreover, some representatives may have a tendency to be either overly optimistic or pessimistic.

As a result, even small differences of opinion or judgment within a sales team can negatively impact the accuracy of the sales forecast. By implementing a clearly defined sales methodology, organizations can eliminate inconsistencies in the way information is entered into a sales forecast and, hence, greatly increase overall forecast accuracy. Moreover, with a clearly defined sales methodology, sales representatives across the company will interpret pipeline data more consistently, which facilitates coordinated action.

“Using Oracle CRM On Demand, InFact has reduced the time it takes to close a sales opportunity by 15%.”

**—Richard Napier, Director,
Business Development, InFact Group**

By standardizing on a CRM application such as Oracle CRM On Demand, an organization can ensure that its sales representatives are consistent in the language that is used and in the type of data collected.

Capture Quantitative and Qualitative Information about Each Opportunity

In many organizations today, individuals on multiple sales teams create separate forecasts using a spreadsheet-based process. Qualitative information—for example, whether opportunities are in the early or late stage of a sale—is rarely incorporated into these forecasts. After the individual sales teams have completed their forecasts, a sales operations team at corporate headquarters manually consolidates the spreadsheets to develop a forecast for the enterprise.

At the end of this roll-up process—which can take weeks—organizations often find that their forecast is off quota, yet they have no information regarding the causes of the shortfall. As a result, management must go back to each sales group—via email and phone calls—to identify the various reasons for the gap. By the time the reasons have been identified, it is likely that a new set of issues will have emerged and the diagnostic cycle must begin anew. In many cases, management never gets to the bottom of the problem, and the quarter closes before a targeted action plan can be put in place.

To overcome these problems, an organization must first have a single repository of opportunity data. This eliminates the need to manually reconcile disparate spreadsheets to create an aggregate forecast. Next, the company must capture both quantitative and qualitative information about each opportunity. Quantitative information includes data such as deal size and expected close date. Qualitative information includes information such as deal stage (for example, 1=qualified opportunity, 5=closed sale), key competitors involved in the deal, and the key decision-makers involved in a deal and their current feelings about the proposal. Having both quantitative and qualitative information at the individual opportunity level—stored in a central repository—enables organizations to diagnose problems early enough in the quarter that they can implement action plans that address the problems.

Leading sales force automation applications enable sales representatives to easily capture and analyze the critical quantitative and qualitative data that is needed to accurately diagnose problems. By creating a standardized system for collecting this customer information, organizations ensure that the entire sales force is consistent in its reporting—allowing for much more accurate data analysis.

Focus on Performance and Effectiveness Metrics

Effective pipeline management demands that sales organizations focus on both performance and effectiveness metrics. While performance metrics—such as sales by region or revenue per product—are important, they provide only after-the-fact insight into the results of the sales period. Effectiveness metrics, on the other hand,

It is essential to balance performance and effectiveness metrics to understand not only how the company performed after the fact, but also why the company is performing a certain way, in real time.

enable a company to track—throughout the sales period—the specific reasons for sales performance. Examples of effectiveness metrics include the number of customers deferring their purchases, the average length of the sales cycle, and the win rate within a specific product line. Companies that monitor effectiveness metrics can obtain critical information during the sales period, which allows them to predict results and quickly execute strategic actions to improve performance.

Through the use of robust sales force automation applications, companies can thoroughly analyze the wide range of performance and effectiveness indicators to better understand the causes of sales performance. This involves conducting comparison and trend analysis with current and historical data. Moreover, the leading applications can provide continuous, up-to-the-minute analysis that enables organizations to change their sales strategies in real time.

Develop Forecasts from Multiple Perspectives

Too often, organizations rely only on the perspective from the field when developing their sales forecasts. As a result, they fail to recognize the broader issues and historical context that can add much-needed clarity to sales forecasts. To maximize forecast accuracy, organizations should assess forecasts from three perspectives: a field perspective, a pipeline perspective, and an analytic perspective. Oracle refers to this approach as triangulated forecasting. The field perspective is created by asking sales representatives to submit individual forecasts based on the specific opportunities in their pipeline. This perspective is valuable because it provides management with a bottom-up view of current market conditions. The pipeline perspective is created by analyzing the number of opportunities in each stage of the sales pipeline. This perspective helps management assess the pipeline from an aggregate, top-down viewpoint. The analytic perspective is created by analyzing current pipeline data against historical trends, enabling the company to apply the knowledge gained from prior periods to the current forecast.

The triangulated approach to forecasting provides a set of checks and balances that enables management to quickly identify potential problems. For example, imagine that a company's field assessment indicates that the organization is on track to meet its quarterly revenue number. However, the pipeline assessment shows that 80 percent of all current opportunities are below Sales Stage 3 (where Sales Stage 5 represents a closed sale).

Additionally, the analytic assessment shows that, at this point in the quarter, the company's forecasts are typically 20 percent above final attainment. Taking all three of these perspectives into account, management would realize that the company is unlikely to meet its original forecast unless corrective action is taken immediately.

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Organizations can facilitate triangulated forecasting through the use of applications such as Oracle CRM On Demand, which enable multiple departments to develop their own forecasts using a central source of data. This allows companies to leverage several distinct assessments of their sales opportunities to facilitate deeper analysis.

Translate Forecasts into Action

Companies should not view forecasts as stagnant snapshots of the business. Instead, they need to use the forecast to inform real-time decision-making across all areas of the enterprise. Once a potential shortfall is detected, management needs to determine whether the underlying cause is related to weak demand, poor sales execution, or heightened competitor activity. Moreover, management must pinpoint whether the shortfall is linked to a particular sales region, product line, or customer segment. Once a company has diagnosed the cause(s) for the shortfall, it must develop targeted action plans that have specific owners and clear timelines.

MAKING PIPELINE MANAGEMENT A COMPETITIVE ADVANTAGE

Understanding the pain points in an organization's pipeline management process is an important first step toward improving sales performance. To develop a clearer understanding of how a company can develop a competitive advantage through more effective pipeline management, a company needs to address the following five questions about its sales operations:

- Has the company implemented a common sales methodology across all sales channels?
- Is it capturing information about individual opportunities?
- Is it forecasting from multiple perspectives?
- Is it able to analyze forecasts and specifically diagnose problems?
- Can it translate analysis into tactical action plans?

SUMMARY

Managing the sales pipeline is one of the greatest challenges facing organizations today. In Oracle's experience, the organizations that address these challenges most effectively are those that establish a single repository of customer data and follow each of the practices discussed in this white paper: They have a clearly defined sales methodology, capture qualitative and quantitative information about individual opportunities, track performance and effectiveness metrics, assess the forecast from multiple perspectives, and develop targeted action plans. By implementing these best practices, organizations can greatly improve pipeline management and dramatically reduce end-of-the-quarter surprises.



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