INSIGHTSQUARED

The 3 Secrets of Successful Pipeline Management

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Meet the Authors

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THE SALES MANAGEMENT ASSOCIATION
SalesManagement.org

Sales Management Association

The Sales Management Association is a global, cross-industry professional organization for sales operations, sales effectiveness, and sales management professionals. The Sales Management Association provides its members with peer networking, education, professional development, and research, such as the study featured in this eBook. Their annual Sales Force Productivity Conference is held each fall in Atlanta. Learn more at www.salesmanagement.org.

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The 3 Secrets to Successful Pipeline Management

Foreword

By Jason Jordan

About a year ago I came to a surprising realization.

But first a little background. Throughout my career, there's been one topic that comes up again and again among the sales managers I work with: *Pipeline management*. In fact, there seems to be no limit to the number of questions sales managers have about what they can do to improve the way they manage their pipelines: How can they ensure that none of their opportunities slip through the cracks? What are the best methods for getting maximum value out of their pipeline meetings with reps? How can they use pipeline management best practices to improve the accuracy of their sales forecasts? Everywhere I went, again and again, sales managers were asking these questions about the mighty sales pipeline.

So what was my surprising revelation? In short, I started to realize that I couldn't actually answer these questions. At least not in the truly data-backed way they deserved. Pipeline management is the backbone of sales success, and I knew that if I really wanted to help sales leaders get to the bottom of it, I needed hard data about what effective pipeline management looks like, and exactly how it leads to sales results.

So I decided to conduct a study to get that data. This way I could answer these nagging pipeline questions once and for all, knowing that I was really providing something additive for these inquisitive sales managers, not just throwing my own instincts to the mix.
To get the right data, I teamed up with the Sales Management Association in late 2013 to conduct an extensive study on the most effective pipeline management practices.

And guess what: This study had some really interesting results – and they weren't always what I expected. **Looking closely at what the fastest-growing companies did** to manage their pipelines changed the way I thought about the subject, and now I'm excited to share the results with you.

But I'm also excited to do more than that. The results of this study were extremely interesting, but what's more important is what they mean for you and your sales team. It's not enough to see exactly how the fastest-growing companies are managing their pipelines. We wanted to go one step further and see how these principles can be generalized so that other companies in different contexts can apply the learnings.

We learned that there are **3 essential pipeline management** best practices that companies can use to increase their revenue streams:

- Formalize your sales process to ensure alignment between buyers and sellers
- Invest enough time in pipeline review meetings with reps to dig into specific opportunities
- Train sales managers to truly understand pipeline management best practices.

In this eBook, InsightSquared helps me take the results of the study and analyze how these best practices lead to revenue growth and, more importantly, how sales teams can adopt these principles to improve pipeline management at an organizational level.

Now whenever a sales manager asks me about the best way to measure his or her pipeline, I'm excited, because I know I can actually answer that question. Not with intuition or subjective survey results, but with cold, hard data.

And if you're like me, you'll never look at pipeline management the same way again.

Enjoy!

Section // 1

The Study

How Was The Study Conducted?

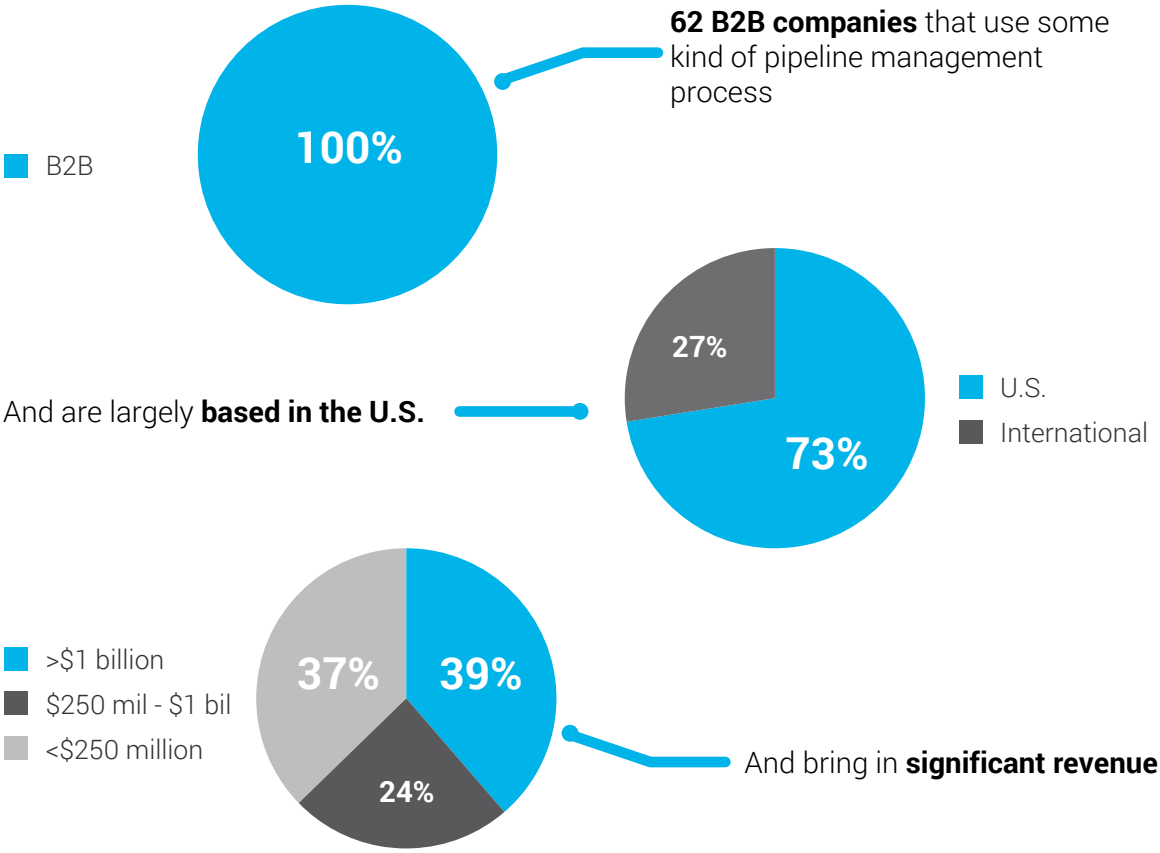
Once Vantage and Sales Management Association decided to conduct a study on the best pipeline management practices, it was time to determine the type of analysis that would lead to the most useful and actionable findings.

They determined that the study should focus on **specific pipeline management practices** and tie the responses they got to hard data about revenue growth. This would allow sales managers to do two things at once: **see what actual sales teams were doing to manage their pipelines *and* learn which of those practices were actually tied to tangible revenue growth.**

So in late 2013, the two groups found 62 companies that agreed to participate and matched well with the type of company they wanted to study.

So what did these companies look like?

Who Participated In The Study



Once the right companies were on board, they were given a handful of questions about pipeline management intended to provide the actionable insights. Questions like:

- How often do you hold pipeline meetings?
- Who attends those meetings and what do they cover?
- How did you design your sales process?
- How much training have your managers received in pipeline management?

Then the two groups measured the **correlation between these answers and revenue growth** (for each company, relative to itself from the previous year). This gave a clear picture about exactly which pipeline management practices lead to sales success.

In fact, it quickly became evident that there was one clear winner – *a single pipeline management practice* that was correlated with year-over-year revenue growth of *almost 20%*: **A strong, formal sales process.**

Section // 2

Process Makes Perfect

Summary

Going into this study, it was clear that some companies were more effective at managing their pipelines than others. This much was obvious. They had higher collective win rates, shorter sales cycles, steeper revenue growth, and so on.

The harder part was figuring out why. What were the one or two things these high-performing companies were doing in terms of managing their pipelines that was giving them that critical edge? Sales is filled with variables, and trying to isolate the precise practices that make the difference is extremely difficult.

It took a lot of number crunching, but eventually Vantage and Sales Management Association were able to tease out the one thing that the high-growth companies had that the others didn't: **a clearly defined sales process.**

When all was said and done, the data from the study showed that a formal sales process was the most important factor in helping companies manage their pipelines more effectively and led to the greatest increase in revenue. Not simply a sales process with official stages, but one with **clearly defined exit criteria and true alignment with the buyer's journey.**

In this chapter, you'll see the specific results that led us to this conclusion and learn about why a clear sales process correlates so strongly with effective pipeline management (and, ultimately, sales results), including:

- The benefits of a formal sales process
- Why you should mirror the buying process
- How to use this knowledge to improve your own sales team

The Benefits of a Formalized Sales Process

Once all the dust settled, the data was pretty clear about the main takeaway from the study: **There is a very strong correlation between using an explicitly defined sales process to manage your pipeline and revenue growth.**

In the chart below you can see exactly how strong the correlation between a formalized sales process and revenue growth is. But first, a little about how the chart is set up:

- Revenue growth is measured in relative terms; each company is **compared to its own revenue performance** from the previous year.
- The scale runs between 1 and 7. A score of 1 implies a drastic decrease in revenue from the previous year, a 7 implies a drastic year-over-year revenue increase, and a **4 means that revenue growth was flat.**
- Average revenue growth for the 62 companies studied was **4.9**, or moderate year-over-year revenue growth.

When Vantage and Sales Management Association separated the companies that had formal sales processes from those that didn't and looked at the impact on revenue growth, here's what they saw:

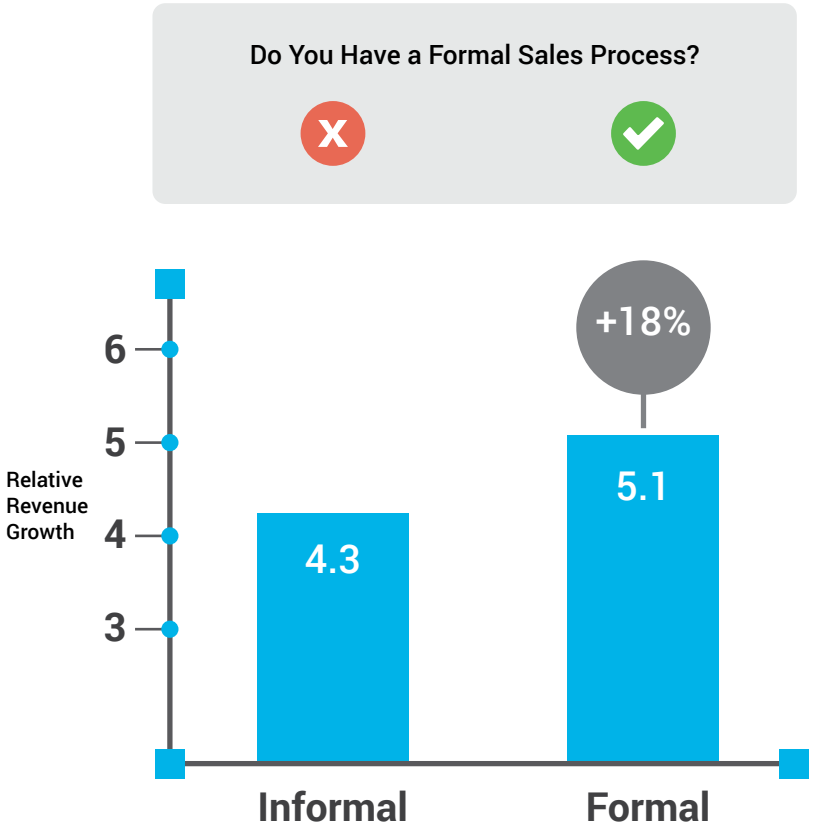


Figure 1: The Impact of a Clearly Defined Sales Process on Revenue Growth

What does this 18% revenue lift for companies with a formal sales process say about pipeline management? Well, a lot, actually. Every company has a different system for managing open opportunities – they use different stages, require a different number of touches from sales reps, enforce different exit criteria – but the companies that actually formalize this process, coach their reps to abide by it, and most importantly, evaluate and manage their opportunities by it, find that they are more effective at winning deals and increasing revenue than those that don't.

For experienced sales managers, this shouldn't be breaking news. Your pipeline is ultimately just a way of visualizing your open opportunities, so it's not hard to understand why a codified system for organizing and contextualizing your open opportunities is the key to a healthy, predictable pipeline.

And it's important to make something clear: Every sales team has a process. **A lack of a formal sales process** is itself a sales process, albeit a haphazard and unpredictable one. Therefore, the next question is "How can my sales team create a formal sales process that will help us more effectively manage our pipeline?"

Mirroring Your Sales Process to the Buying Process

Now that it was clear that a formal sales process was the one sales practice that correlated most strongly with revenue growth, a new question emerged: How can sales managers use this information to improve their sales performance?

The number one answer is to **mirror your sales pipeline to the prospect's buying process.** This piece of advice is not unique to this specific study; in fact, it is something that has been proven again and again. If you want a reliable sales process in which opportunities act as you expect them to, you need to model it after the steps the buyers follow. Not to the steps your reps follow when they sell, not a standard-issue, out-of-the-box sales process – but to the steps your company's actual target customer follows on the road to buying your product. **Each stage in your sales process should reflect a further commitment from the prospect to buying your product.**

"To design sales pipeline stages that are better aligned with the buying process, I recommend that sales leaders think about them as a matter of increasing buyer commitment."

-Jason Jordan

This means that, in order to manage the opportunities in their pipelines, sales managers must make sure they are **seeing the buyer's journey from the buyer's point of view.** Opportunities don't progress down the sales funnel when the seller performs an action – such as qualifying them or issuing a purchase proposal – but only when the prospect voluntarily takes a step, such as requesting a demo or setting up a meeting.

Once you realize this, it's easy to see why creating a sales process from the buyer's perspective is essential for effective pipeline management. Prospects take predictable steps, sellers have the information they need in order to properly work accounts, and sales managers have a uniform system for forecasting which opportunities will close across their entire team.

The vast majority of sales teams already have a sales process that's based on their own internal definitions of sales stages, so the next step is to create a corresponding process that follows the buyer's journey with definitions *from the buyer's point of view.* In the image below, you can see an example of how these two mirror-image processes line up.

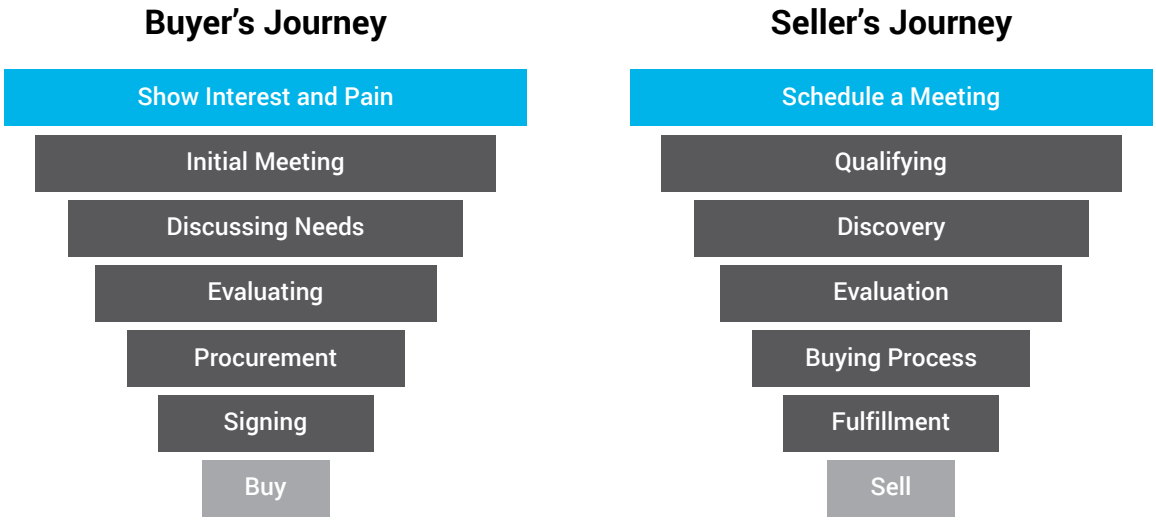


Figure 2:
Aligning the Buyer's Journey with the Seller's Journey

The right sales process for your sales team is specific to your needs – it depends on what you're selling and who you're selling it to – but the general principle is universal: Formalizing your sales process and mapping it to the buyer's journey is the most effective way to manage your pipeline. It helps you better understand the different stages of your sales process, which makes it much easier to predict which opportunities will convert into deals and what actions your sales reps can take to smooth this process as much as possible.

Section // 3

How To Review Your Pipeline

Summary

Formalizing your sales process isn't enough to totally revamp the way you manage your pipeline. To accomplish that, you must apply the learnings so you can **change the way you actually manage your sales team.** This means taking your newly formalized sales process and using it to improve the way you meet with your reps and coach them to manage their own individual pipelines.

In this chapter, we look at what the study told us about the best way to run your pipeline meetings, including:

- How frequently to hold pipeline review meetings
- How much time to spend at each meeting
- The differences between group and 1-on-1 meetings

How to Structure Your Pipeline Meetings

The goal of pipeline meetings is to get the information you need from your reps to make the right decisions about how to manage their pipeline. But it is not always easy to extract the information you need. What are the best ways to ensure that you use these meetings to actually get the information you need?

The obvious answer is to regularly meet with them and discuss their open opportunities. But there's more to it than that. **The setting, structure and frequency of these meetings have a huge impact on the value of the information you collect from them.**

So, here's a quick game to illustrate this point. The survey asked all 62 companies about three aspects of their pipeline review meetings:

- How frequently they held them
- How long these meetings lasted
- How many people were in attendance

Ok, which of those questions do you think most correlated with revenue growth?
Take a minute.

Ready? The answer is ***how much time*** **sales managers allotted for these meetings**.
Not how often they held them. Not whether they were individual or group meetings, but simply the amount of time allotted to these meetings. Pretty surprising, right?

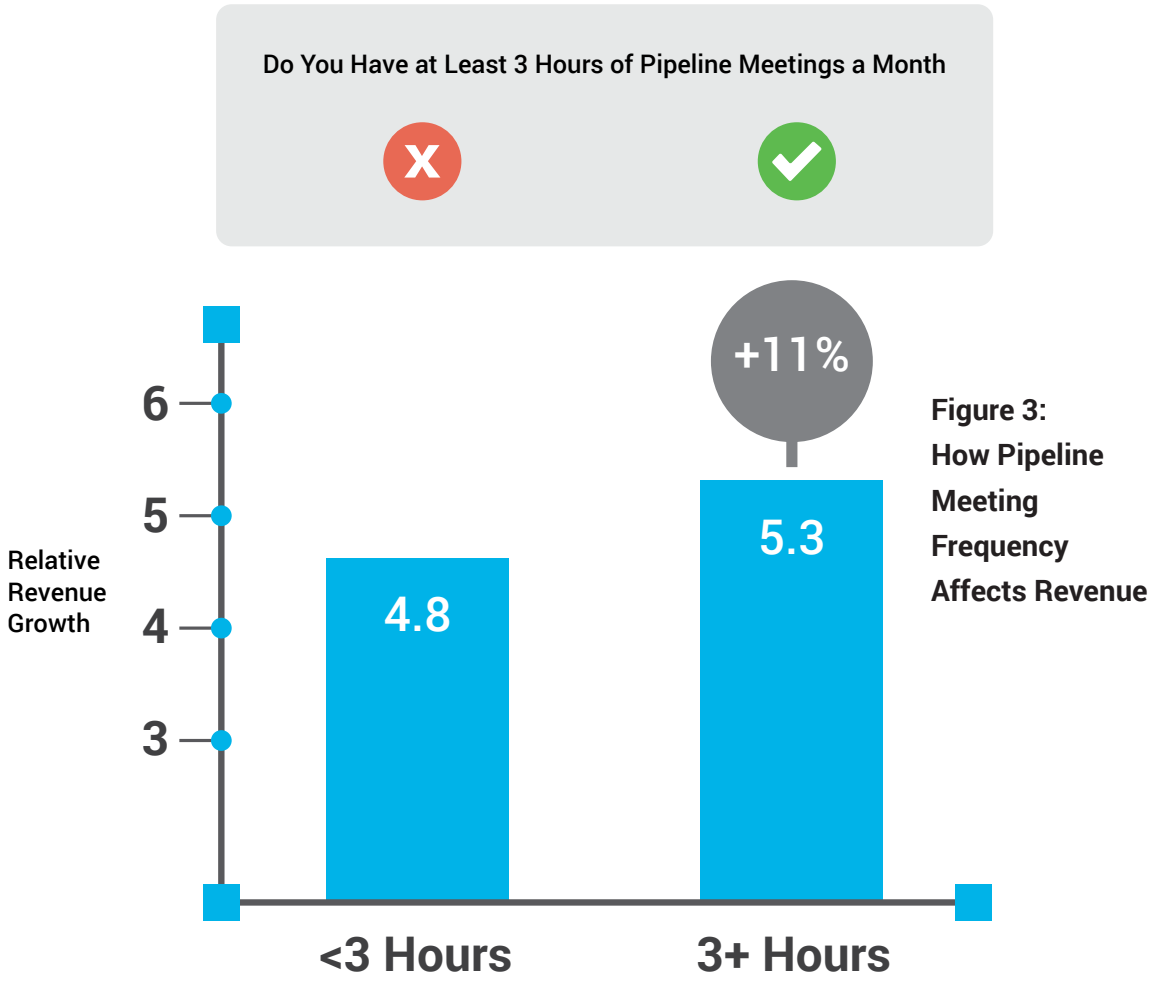


Figure 3: How Pipeline Meeting Frequency Affects Revenue

You're probably curious about why this was the case. Well Vantage, Sales Management Association and InsightSquared were too, so we talked to sales managers and did some research, and came up with a few good theories.

Dig into the Deals That Really Matter

A quick, cursory scan of all the opportunities in a rep's pipeline is an ineffective way to help her manage her pipeline. Instead of providing valuable, sometimes counterintuitive insights into opportunities – "You're chasing your tail on this one", "You're not speaking to the true decision-maker" – a brief overview of every opportunity without a deep dive is more likely to result in a simple thumbs up or thumbs down, which is barely valuable at all.

That's why a deep dive into a handful of opportunities in a longer meeting yields such powerful results. It can actually change the way a rep approaches her opportunities. It also gives the manager a real chance to understand the opportunity on a nuanced level, instead of just the most rudimentary cliffs-notes version. This deeper level of understanding, especially of early-stage opportunities, is essential for helping reps make the right decisions about their open opportunities.

"I recommend focusing intensely on a handful of deals, and doing a deep dive into each -- the competition, the buyers in the organization, the rep's approach, and so on."

-Jason Jordan

Don't Forget Early Stage Opportunities

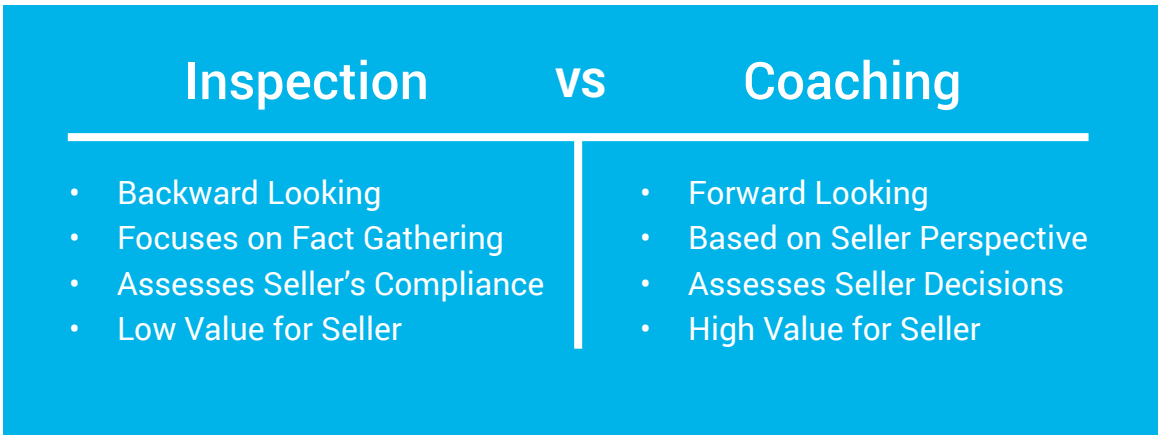
That last point is critical: **Early-stage opportunities are more essential for proper pipeline management than your opportunities that are about to close.** Why? Because, for the most part, late-stage opportunities are out of a manager's hands. The factors that can influence an opportunity's likelihood of being won are already set in motion, and now it's just about how the potential buyers decide to proceed. Sure, all sales managers love to think they can pry an opportunity from the jaws of Closed-Lost, but this is rarely the case.

It's much better to spend time digging into early-stage opportunities, which actually can be affected by suggestions from sales managers. Therefore, longer pipeline meetings are ideal because they let managers move beyond the standard pipeline coaching conversation – "Will this opportunity close? When?" – and on to the more important and complex stuff – "Who else can we get on board here?", "How can we prove that we answer their pain?"

Emphasize Coaching

This leads to the last and perhaps most important point about pipeline meetings: **They are really about coaching, not data inspection.** A longer meeting allows sales managers to devote more time to the kind of coaching that really matters. Not simply looking at CRM data for opportunities, but actually giving meaningful feedback about how reps can improve the way they manage opportunities in general. Win an opportunity for a rep, he hits quota for a day. Teach a rep how to win opportunities, he hits quota for his career.

Figure 4:
The Difference Between Inspection and Coaching



Section // 4

Helping Managers Manage

Summary

Sales coaching is great, but only if sales managers really understand what they're coaching. While it would be great if this were always the case, it often isn't. As a result, pipeline management suffers because sales managers aren't sufficiently trained in pipeline management best practices.

In this chapter, we look at what our study told us about how companies that train their sales leaders to manage their pipelines performed compared to those that don't:

- Treating new managers like new hires
- Re-learning pipeline management
- The impact of sales manager training

Untrained Managers vs. Trained Managers

In the study, Vantage and Sales Management Association wanted to figure out what high-growth sales teams do differently than their slower-growth peers. They had an assumption that the extent to which companies trained their sales managers would show up somewhere on this list.

But the degree this turned out to be true was amazing. The chart below shows that companies that actively trained their sales managers how to coach their reps and manage their pipelines were *almost 10%* higher-growth than those that didn't. This 10% can easily mean the difference between a banner year and an unsuccessful one.

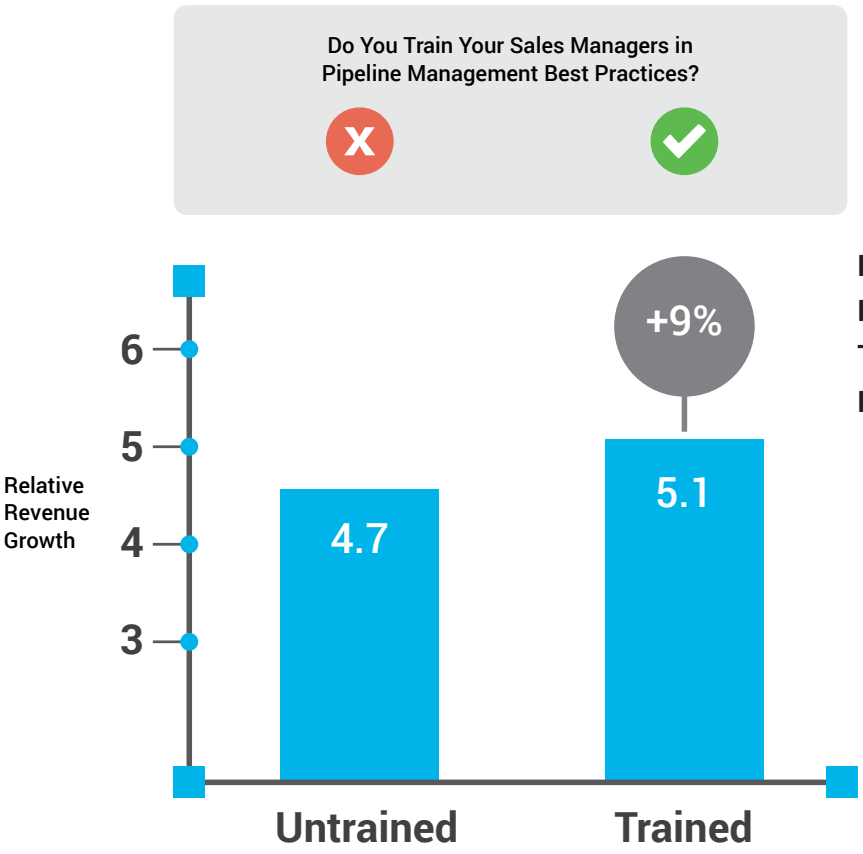


Figure 5: How Sales Manager Training Affects Revenue Growth

With the results so stark, it became important to think about *why* training sales managers correlated so strongly with revenue growth. The simple fact on its own isn't too surprising – job training improves performance in nearly every industry, not just with sales managers – but the strong correlation made us wonder if this were especially true in sales, and, more importantly, why.

New Position, New Training

In the sales world, most promotions go something like this: A rep separates himself from the field – closing more deals, closing bigger deals, and closing them faster than his fellow reps. When it comes time for a promotion, this rep is the obvious choice. He excelled as a sales rep, why wouldn't he excel as a sales manager?

Because of this, the newly promoted rep is often thrust into his new role without much guidance at all. The problem is that being a great sales manager requires an entirely different skillset than being a great sales rep. Forecasting, coaching and, especially, team-wide pipeline management are all things that a sales manager must do that a sales rep typically doesn't.

With this in mind, it's important to remember that **new sales managers should be treated as if they're new hires:** this means including a ramp period, access to the necessary tools, and, of course, a formal training period.

"New sales managers promoted from the rep level should be treated as new hires, and trained as such."
-Jason Jordan

Unlearning What You Know About the Sales Pipeline

Although training in all of the areas mentioned above is important, pipeline management may be the most important topic for sales managers to get educated about. One of the reasons for this is that pipeline management practices are often counterintuitive, especially for former sales reps.

For example, most people assume that a bigger pipeline is a better pipeline. However, the truth is that there are compelling reasons to believe that this is not the case. Smaller pipelines are often smaller because they already have the bad opportunities weeded out, which saves reps a lot of time. It also provides clearer insight into the opportunities that *are* in the pipeline, such as which have had their close dates pushed back or their expected deal size lowered – both reliable indicators that an opportunity is unlikely to convert.

Section // 5

The Ultimate Finding

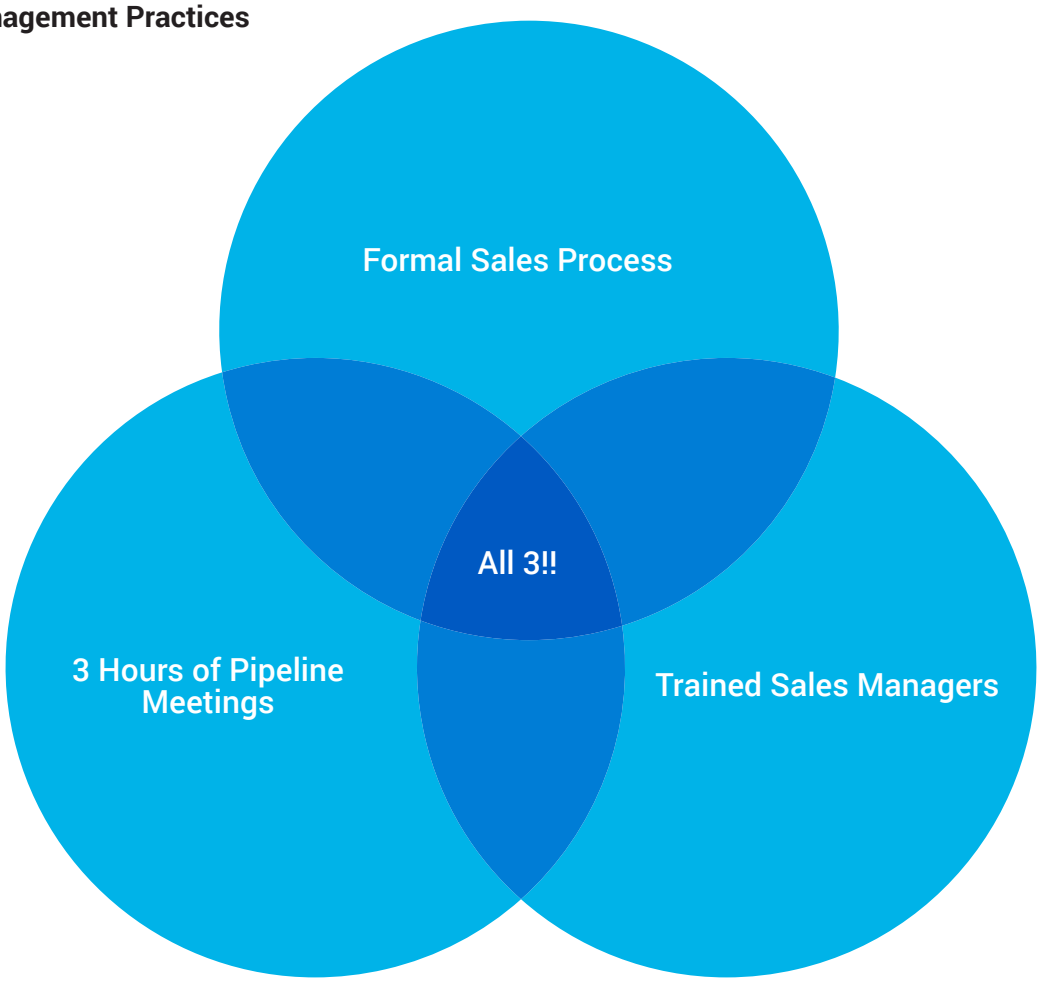
Before the pipeline management study was totally complete, there was one more piece of analysis that was necessary to make sure the action items suggested in this eBook truly correlated with higher revenue growth.

So Vantage and Sales Management Association took the three pipeline tips:

- More clearly defined sales process
- Longer pipeline review sessions
- Better trained sales managers

Then they isolated the **eight companies** that reported doing all of them as part of their pipeline management process, and looked at how these companies compared to the others in terms of revenue growth.

Figure 6:
Identifying the Companies that Follow All Three Pipeline Management Practices



The results were astounding: A whopping 28% greater relative revenue growth than the other 54. There's no denying it – companies that define their sales process, hold longer pipeline review sessions and train their sales leaders how to manage their pipelines grow much, much faster than those that don't.

This result was heartening, and it made Vantage and Sales Management Association want to keep digging into this lesson – not just how much these practices correlate to revenue growth but how to incorporate them into your business.

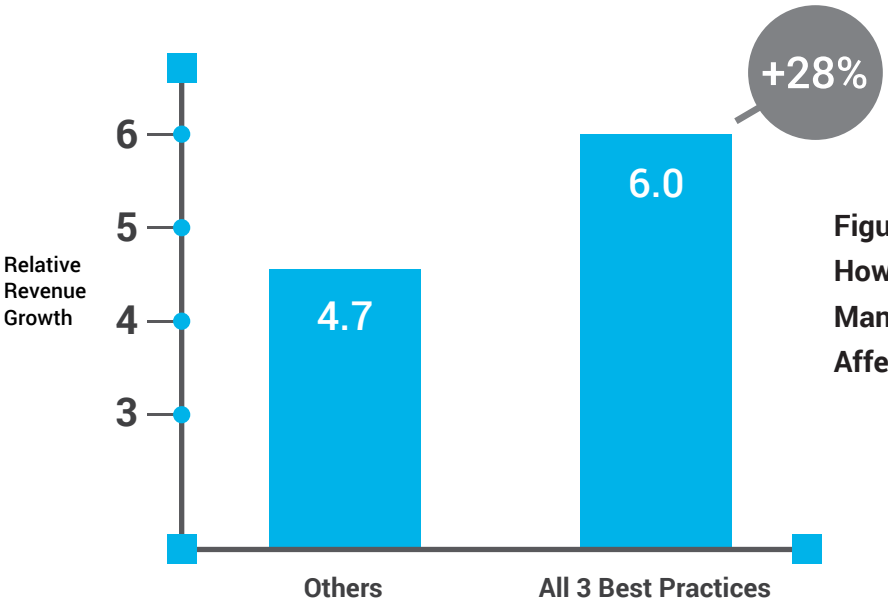


Figure 7:
How the Top 3 Pipeline Management Practices Affect Revenue Growth

Section // 6

Conclusion

Conclusion

These days, when I talk to a sales manager about her pipeline, I have a lot more to say than I once did. The study outlined in this eBook helped me understand the data behind pipeline management in such a way that I can now regularly provide useful suggestions to sales managers who want to get sales results.

Hopefully, this eBook changed the way you think about pipeline management and gave you some new ideas about how to improve your overall sales process. I firmly believe that proper pipeline management is one of the most critical factors in generating sustainable revenue growth. I couldn't be happier with the conclusions this study helped me reach, and I hope they help you change the way you manage your sales team.

Good luck!

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