BLUE RIDGE PARTNERS
The Revenue Engine

Problem²: The Extraordinary Challenge of Revenue Forecasting During Turbulent Times

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Revenue forecasting is hard, even in the best of times. Bad data, poor discipline, cumbersome roll-ups, and disconnects between sales and operations are just a few of the most common problems. A pre-crisis Blue Ridge Partners survey of 650 executives found just 27% of companies could forecast 60 days' revenue within +/- 5%.

The current crisis has added to these challenges. Demand for some products and services has collapsed while demand for others has exploded. Supply chains are being disrupted or even broken. Senior leaders' attention is consumed by existential business continuity questions, leaving less time than ever to think about sales and operations. New forecasting problems and challenges are compounding the old ones. It's a **problem squared.**

And the impact is potentially catastrophic. Executives are navigating an entirely new business landscape, and they are relying on revenue forecasts to guide major decisions about cost structures and the future of their companies. It is more critical than ever that those forecasts are on target. Our May 2020 survey of CEOs and CROs found 94% consider an initiative to improve revenue forecasting to be extremely or somewhat important in response to the crisis. But there isn't time to implement lengthy solutions and wait months for results – businesses need rapid solutions to the problem of forecasting accuracy.

The key question is this: *What can I do within the next week or two to improve my forecasting process?*

To answer that question, we examined our work helping hundreds of companies accelerate revenue growth and extracted 10 effective strategies you can stand up immediately. These aren't long-range initiatives; they are quick hits which can be easily implemented and produce immediate, measurable improvements in forecasting accuracy – in turn enabling better, more accurate decision-making.

1. **Create energy, focus, and accountability around pipeline accuracy.**
   Where leaders focus, an organization pays attention. The act of shining a spotlight on the forecasting process can itself create a heightened sense of urgency and accountability. Illuminate every aspect of the process and everyone who touches it. Make sure everyone understands and is held accountable for their role in forecasting. Spotlighting is often

enough on its own to drive improvements, but those improvements can be further augmented through SPIFs for accuracy and compensation deficits for big misses.

Most salesforces include both sandbaggers (those who intentionally lower expectations so they can beat them) and Pollyannas (those who let optimism, rather than realism, guide their estimates). Sales managers then use "manager math" to nudge/fudge numbers up or down to get to an overall answer that's "good enough." None of these behaviors can be tolerated in times of crisis – leaders making high-stakes decisions need more accurate revenue forecasts.

2. **Seek input from those closest to the customer.**
   The most accurate information about customers is in the field, with people who talk to customers every day. Once or twice a week, sales managers should meet one-on-one with front-line reps to examine each opportunity, discuss how to overcome hurdles, seek to understand exactly where each deal sits in the pipeline and why. These conversations – where sales managers go line-by-line through the pipeline, challenging reps with questions like, "How do you know?" and "Why do you believe that?" – can help sales managers burn away the fog of excessive optimism or pessimism and ensure every deal is positioned correctly in the pipeline. No matter what system you're using, technology can't replace regular 1:1s.

3. **Fast-track intelligence from the front line to the C-suite.**
   Sales manager conversations with reps can improve the quality of base-level data, but don't stop there. Information from reps needs to be vetted by managers, rolled up, and incorporated into an accurate aggregated forecast that moves up the chain fast. Ideally, information should move from the sales rep level to the CEO within 24-48 hours.

4. **Define process stages clearly based on customer actions.**
   Most companies use pipeline stages driven by sales team guesswork with different reps having different opinions about what characteristics of a lead have to be checked before it is put in a certain stage of the pipeline. This creates inaccuracies and inconsistencies in forecasting.

   Pipeline stages should be clearly defined and framed, whenever possible, in objective customer terms. A stage like "Proposal Drafting" describes what you're doing, not what the customer is doing. Think about the buying process from the customer's perspective and organize stages around that. Ask questions like, "Has the customer agreed to a product demo?" and, "Has the customer requested a firm proposal?" Pipeline stages defined in customer terms will give everyone a clear understanding of exactly where a deal should be positioned. Simple yes/no questions are ideal as they reduce unhelpful bias and guesswork.

5. **Identify and track sales process turning points.**
   Too many organizations think "more is better" for dashboards and reports. But there are typically only a small handful of real inflection points in a sales process that move the needle and powerfully predict selling success. Track these closely. One of our clients was tracking

90+ activities using colorful dashboards and complex reports. We found just one activity – the live product demo – was the real turning point in the sales process, providing line-of-sight to close.

6. **Track early-stage activities.**
   It's tempting, especially during a crisis, to focus on the end of the pipeline. This is exacerbated when companies don't have well-defined early-process stages or allow reps to log only those deals that already have reached the third or fourth stage. But a better understanding of the top of the funnel can have a big downstream impact and is essential for longer-range forecasting.

   Think about what activities make it more likely an early-stage opportunity will make it through the pipeline. For example, one company we worked with figured out if sellers met with the CFO of a prospect, it was exponentially more likely that the opportunity would move to the next stage. Getting this meeting became a critical early stage focus the company tracked closely.

7. **Track time in each pipeline stage.**
   Figure out how long each deal in your pipeline has been at its current stage to identify which deals need attention. Many companies look at overall time in the pipeline, lead to close, but not enough of them focus on time spent at each stage. This latter metric can provide a much clearer view of probability of close than even very thoughtful sales rep estimates.

   Set rules around time in stage. If it's been at stage 4 for four weeks, take a close look and do what needs to be done. If it needs CEO attention, get it. If the deal's a zombie, kill it.

   Moving too slowly through the pipeline is red flag, but so is moving too fast. Deals that fly through early stages with incomplete groundwork (poorly understood customer ROI, misidentified economic buyer), can crash at the moment of truth. Understanding time-in-stage and applying discipline to it can go a long way to cleaning up a forecast.

8. **Use clear, consistent terms to describe pipeline stages, activities, and gates.**
   The meanings of words like "lead," opportunity," "commit," and "prospect" vary by industry and often even by company. But forecast accuracy is greatly dependent on everyone who is working the same pipeline having a shared, precise understanding of what each term means. If salespeople are consistently missing their "commits," then perhaps you haven't defined "commit" well enough. Nail down definitions of all important terms and make sure everyone is using and applying them correctly every time.

9. **Make your pipeline a two-way street.**
   Most companies have a policy that deals only move forward in the pipeline, never backward. But events outside sales force control can and do happen, especially in a crisis. If you do a product demo which moves a deal to stage 5, but the person who received the demo gets laid off, it's as if the demo never happened. Back to stage 4.

Think hard about whether you want to let reps do this themselves. Will they do this objectively? If not, you may need sales managers to move deals backward. But it's important to have a policy in place that allows for two-way movement so everything is at the right stage based on the latest and best information.

10. Leverage sales operations.

Sales operations is a force multiplier that can powerfully impact results. If you don't have the right people in the sales operations role, you aren't getting all you can out of your sales team. You don't necessarily need to add headcount to do this, but even making sales operations explicitly part of someone's job can improve both forecasting accuracy and overall results.

On a final note, don't let your CRM get in your way. Use what you have today to track as much as you can. Create workarounds to bridge gaps. Temporarily tracking some things in an outside system or even on a spreadsheet is okay if it improves accuracy. Work with what you've got today, overhaul your CRM when the crisis is over.

That message – work with what you've got and do it fast – is the bottom line for improving revenue forecasting accuracy today when no one has the luxury of time to implement long-range forecasting solutions. These 10 ideas can help you tighten things up quickly, yielding better forecasts and enabling better decision-making through this time of crisis.

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Blue Ridge Partners is recognized as the most experienced, impactful and respected firm that is exclusively focused on helping companies accelerate profitable revenue growth. We have worked with hundreds of companies on business model transitions, where we are known for rolling up our sleeves, being focused and pragmatic in our analyses and delivering tangible results that focus on the "how" of execution. In our work with over 600 clients worldwide, we have amassed extensive knowledge of the issues that affect revenue performance. For more information visit **www.blueridgepartners.com.**

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