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Making the Numbers: It takes a combination of both will & ability!

So, you are not making the numbers! Now what?

Let's start by setting the context. Assuming that the product and service your firm offers is what customers need and the financial logic for your business is sound. What is going on in the execution of your sales plan? How do you go about finding out what is behind the numbers, or the lack thereof?

We know that early warnings manifest themselves in many forms: revenue being less than the targets (especially when they are significantly less than forecast); deals in the pipeline that suddenly disappear; carry forward deals to next quarter suddenly not there a few days into the new quarter; competitors showing improved results and you don't; channels showing signs that they are lacking focus on your products.

If any of this sounds familiar, read on because you're likely also familiar with the consequences: When gross and net margins deteriorate, when inventory turnaround time slows down and when existing customers are not refreshing their P.O. companies often adopt a wait and see attitude. In our current time, where cash preservation is essential, such a jetlagged reaction may just shorten your time-to-bankruptcy (TTB) as venture capitalists would say. At the other end of the spectrum, some fat-cat-syndrome advocates will immediately go through a random cutting session where marketing is the first obvious candidate.

Successful firms have shown that it takes a combination of **will** and **ability** to execute a plan and make the numbers. Let's explore a scenario that highlights what we mean by *will and ability* in the context of making the numbers.

A CEO/VP Sales believes that the Japan market is very attractive and have decided they are going to execute a Japan market penetration strategy. Having the **will** in this case may include: devoting budget to send 2 key executives to Japan on a regular basis; having both a CEO/VP willing to travel to Japan on an 13 hour flight every 4-6 weeks for at least the next 6 months to develop the key relationships which can not be delegated; willing to be away from their families, sit in hot and smoky rooms, take one day to achieve what takes 15 minutes in NY, eat unusual food and be willing to wait 6-18 months for the revenue to flow from their efforts; as well as acceptance of the opportunity costs involved.

Assuming the will is in place, you must also have the **ability** to execute: is your market knowledge deep, broad, and specific enough?; are you culturally sensitive to their decision making process?; can you communicate your value proposition in a context they can engage?; do you have the stamina to do what you need to do in Japan and keep engaged with home office on projects that can't wait for your return?; even if you are willing, can your body deal with strange foods, strange habits, absence of social contact for prolonged periods of time?; are your colleagues and families resourceful enough to get on with things in your absence?

So, when assessing your own personal and organizational **will** to make the numbers, you may wish to focus on the following areas:

- Willingness to explore **what you do not know you do not know**, in the context of what is really going on externally with the market, the competition, and new players and internally with the state of your sales force.
- Will to **develop clarity of intention regarding relationships** – not only external people but also your own sales force. The degree of safe communication or rapport you create with others is the degree to which that they will share with you their values, beliefs and attitudes about opportunities and their ability to execute the plan.
- Will to **make the choices** that will take you where you want to go.
- Will to create an **integrated discipline** that ties together prospecting, sales cycle anatomy, pipeline management, forecasting and the account management process with a metrics system.
- Will **to spend time** in front of the customer/channels and influencers, since this is where the largest revenue returns occur in direct proportion to time invested.
- Will **to invest**, in terms of time, resources, \$, inconvenience.

In terms of **ability** to make the numbers, some of the key areas to pay attention to include:

- Your ability to **define, clarify, and communicate your intention** is critical, i.e. are you a solution provider, a product company or a service provider? Are you able to hold conversations with clients at an altitude that reflects your intention? For example, if you are a solution provider, can you and your sales team carry on an extended conversation with a client about solutions without product conversations taking over?
- Your executive ability **to create and sustain rapport** with both your sales team and customers is a basic underpinning of creating the trust needed to share key information and deal with problems as they arise.
- Your ability to adapt **to cultural norms** and reflect that adaptability in the behaviors of field members relative to expected time to revenue, productivity, sales cycle dynamics and achievement of key milestones.
- Your ability to execute a **consistent account management methodology** across the sales team increases business cycle predictability. The common language created by such a methodology supports the sales team in knowing where in the sales cycle you are at all times.
- The **degree of relevant knowledge** available and being used. For example, knowledge of vertical markets, competitors, related businesses, international business trends and practices, emerging technologies, regulatory trends, etc.
- How current are the **sales, communication and relationship building skills** of all members of your extended team.

Let's consider aspects of will and ability relevant to implementing an integrated discipline, including the consistent account management methodology referred to above.

An integrated discipline approach ties together your prospecting, sales cycle anatomy, pipeline management, forecasting process and account management methodology. This creates a culture where people are always noticing how they link to the larger picture and fosters a discipline inside your organization so that this integrated process becomes the most significant success factor in effectively executing your sales strategy.

The following highlight some factors to consider in each of the components of the integrated discipline approach:

Prospecting: Define very clear criteria through which you can filter prospective accounts for their attractiveness, potential and fit. The absence of tight initial filters tends to generate non-productive activity, drain resources, and increase efforts without a good ROI.

Sales Cycle Anatomy: Create a process with a clear, repeatable, predictable sequence of events that define the steps in a successful sale. It must have gates with evidence criteria so that you know you are really there. It needs to be easily communicated. You must be able to attach the percentage of sales cycle completed at each step of the process.

Pipeline Management: Create a clear distinction between what's forecast and what's in the pipeline. This motivates the sales team to populate the pipeline with information gathered and puts such information into the context of where they are in the sales cycle and the estimated time to close. How and what makes it into the forecast requires additional judgment.

Forecasting process: Create a forecasting system that clearly associates per cent along the sales cycle, and not probability, drives a much more effective forecasting system when it includes a measure of where we are relative to closing the sale, coupled with the expected closing time. It also needs to factor in many other elements such as: what number we are committing to, any upside possible and changes anticipated as we get closer to the end of the quarter.

Accept that forecasting is as much an art as a science. Rewarding forecast accuracy sends a positive message to the sales team that bad news is better than wrong news since you can act on bad news. It reinforces that the consequences for being truthful are not negative.

Account Management: A consistent language and methodology to plan account specific strategies and execute relevant tactics is important whether you are dealing with a small local account or a major global account. It supports good business visibility and predictability. And when integrated with all the other elements listed, it allows for an overall improvement in sales effectiveness and ability to make the numbers.

Metrics System: Create a global sales effectiveness dashboard that tracks key metrics, desirable outcomes and specific action plans to improve performance. This tool facilitates the conversation between the Board-CEO-VP Sales by creating a constructive context for tracking progress, diagnosing problems and leading change.

At the **Making your numbers** seminar we will explore the elements of this integrated process and provide you with a set of useful tools you can use immediately to diagnose and improve your capability of making the numbers and predict the business. We will also explore how this approach can be a very constructive process at the board level in terms of the two-way conversation with the VP of Sales.

Investors, bankers and advisors can greatly benefit with a level of insight that goes well beyond the numbers and onto the process and people factors in achieving the sales targets. Setting expectation with the VP of Sales that having this integrated discipline is integral to the process of making the numbers and the reciprocal responsibility of the board to understand and support any changes required to bring an increase in sales effectiveness.

We will also show you how to exploit this newfound predictability and credibility to raise additional venture capital for commercialization and expansion. The good news about seeking financing for new market development is that you can forget about the hockey stick projections. The bad news is that investors will be expecting you to maintain a steady growth in revenues and profitability even if you are investing in a new set of distributors, resellers, sales people, strategic partners and customers that will take several quarters to generate cash flow. Further you will have to demonstrate that your sales machine is scalable and that you can identify before hand, recruit, train and motivate them to makes their numbers according to plan.

Many entrepreneurs are just paying lip service to their own forecasts and that is a very dangerous attitude. Investors will investigate your historical ability to delivers your objectives and invest in the trenches based on predefined financial benchmarks and measurable milestones from your expansion plan. Under performing will not only delay these timed investments but also will likely affect your ownership of the company since investors are often using punitive full ratchet and anti-dilution clauses. When a company has a track record of sales and profit, discounted cash flow (DCF) becomes one of the unavoidable means to estimate the value of a company. Predictability and credibility of your cash flow projection becomes very important. Every investor will tell you that they are looking for top management that can execute their plan. Investors nowadays are pretty obsessed with imminence of sales. Downstream investors are focused on imminence of profit, growth and sustainability of profit. Not long ago, Net Companies and Net Profit did not rhyme at all and these companies were worth millions of dollars. Nowadays, sales, gross margins and free cash flow are essential to both raising money and divesture of your company. The **Making your numbers** seminar is about what is behind the numbers.

Please join us.

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