



## *Pipeline Management*



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# *Pipeline Management*

A successful pipeline management process not only improves sales velocity and performance. It also helps sales teams communicate, select the right opportunities to work on, enhance account strategy, and allocate resources for maximum effectiveness.

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# *Best Practices in Pipeline Management*

*A consulting practice of Critical Path Strategies, Inc.*

December 2005



RESEARCH STUDY BY:  
Filigree Consulting  
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## Abstract

This paper describes the current state of the art and best practices in Pipeline Management. It is based on a study of twenty-one organizations in North America, completed in the third quarter of 2005.

According to the participants, the tangible benefits of pipeline management are: to optimize resource allocation, improve opportunity selection and focus, reduce sales cycle time, facilitate strategy, and drive revenue growth and profitability. Unfortunately, only a few participants, have attained these goals. Satisfaction with pipeline management is generally low, and improvement projects rampant. Pipelines are not trusted.

Pipeline management is a blend of process, technology, strategy, and people intended to improve the yield on sales and marketing investments by structuring deliberate interactions that drive the quantity, quality, and velocity of selling opportunities. A strategy to achieve outstanding pipeline management outcomes, developed by Critical Path Strategies, was presented to the participants for their comments and input, and is reviewed in this paper.

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## Scope of Study

### Scope

21 high-level interviews

### Participants

Product and service company executives with quota-bearing or revenue objectives. The participants were generally from technology and service companies, and represented a broad distribution of revenue sizes. Within their specific span of control, the participants were engaged in managing from under 25 to over 500 direct sales representatives, and supported or managed businesses from less than \$250 million to more than \$5 billion in revenue. The participants represented general management (24%), sales management (67%), and marketing (9%).

### Partial List of Participants

- Acxiom Corporation
- ARCADIS N.V.
- Avnet, Inc.
- Bell Microproducts
- Caterpillar Logistics Services, Inc.
- ChoicePoint, Inc.
- EMCOR Group, Inc.
- GE Healthcare
- IBM.com Americas
- Industrial and Financial Systems, IFS AB
- Microsoft Business Solutions
- National Oilwell Varco, Inc.
- Sun Microsystems, Inc.
- Symon Communications, Inc.
- Technip USA Corporation
- TeleTech Holdings, Inc.
- TELUS Corporation
- Vignette Corporation

## Overview

### Executive Summary

In a third quarter 2005 study, many general managers and sales and marketing executives told us that they did not have confidence in their revenue pipelines. And while a quarter of the study participants were satisfied with their pipeline management process and execution, almost all of that group and over 80% of the total group of participants, were engaged in an improvement project.

The leading performers recognize their revenue pipeline as a business asset, and broadly value their pipeline information. Their pipeline management processes are detailed, rigorous, and supported by effective automation. They have focused on disciplined execution and have made pipeline management part of their management rhythm. Most importantly, they drive tangible business results via effective pipeline management. They have experienced improved profits, grown revenue, penetrated accounts more effectively, improved alignment with customers, and increased stockholder confidence. Not only do they provide examples of best practices, they clearly attribute business results to having implemented them.

Managing the revenue pipeline in a comprehensive and aggressive manner simply makes good business sense. The consistency and quality of an organization's revenue pipeline should clearly be an item of paramount focus.

Pipeline management is a blend of process, technology, strategy, and people intended to improve the yield on sales and marketing investments by structuring deliberate interactions that drive the quantity, quality, and velocity of selling opportunities. Effective pipeline management provides information useful to the

overall business as a basis for forecasting, resource allocation, and just-in-time sales coaching and has spillover benefits in defining required inventory levels and engagement resource requirements. In general, the participants in this study were positively convinced that optimized pipeline management would help them achieve greater profitability, increase revenues, and improve alignment with customer needs.

The participants in the study provided significant insight into the state of the art, key issues and inhibitors, potential and realized benefits, and best practices. One of their key observations is that it all starts with leadership. Organizations with nascent pipeline management generally begin their improvement processes with a focus on helping their leadership team realize the need to improve. After that, they focus on developing a pipeline management strategy, addressing overall cultural issues, and striving to gain control of their pipelines. They then seek to optimize and integrate processes and tools. Their initial efforts are broad and sweeping. These initial projects generally contribute positively to business results in terms of revenue, profit, and customer satisfaction. Balanced performance, where process, technology, strategy, and people combine to provide pipeline management that delivers extraordinary business results, is a matter of incremental improvements.

As organizations progress on the journey from nascent pipeline management to high performance, the pipeline becomes increasingly valuable, and tangible benefits are achieved. Sales velocity is improved. Resource allocation is optimized. Alignment with customer needs positively impacts customer value. Revenue grows, profit increases, and shareholder confidence is strengthened.

## Study Introduction

In the third quarter of 2005, Critical Path Strategies and Filigree Consulting conducted a study intended to identify current practices, benefits, and the key elements of pipeline management. Twenty-one general management, sales, and marketing executives contributed to the project via an in-depth interview of one to two hours.

During the interview, we collected information on the participant's role in pipeline management, demographics about the portion of business they were responsible for, the status and plans for their pipeline management processes, and their perceptions of benefits, inhibitors, and best practices for pipeline management.

## Key Hypotheses

To begin the study process, we formulated a set of hypotheses regarding pipeline management. As is typical in such studies, some were confirmed absolutely, some to a certain extent, and some were rejected. We appreciate the participation, forthright input, and advice of our distinguished participants. The table below outlines some of the more interesting hypotheses and what we learned about them.

We will delve into these and other important “lessons learned” during the study in the remaining body of this paper. Based on our findings, we must conclude that pipeline management is an important business discipline that has solid and tangible business results, and that most organizations have a long way to go to achieve them.

Initial Hypothesis	What We Learned
Effective pipeline management leads to consistent sales performance that meets or exceeds expectations. Its greatest benefit is in improving the predictability of revenue.	While our participants agreed that their pipeline management efforts improved their sales velocity and performance, they saw the largest benefits of pipeline management as: a means of communication, selecting the right opportunities to work on, enhancing strategy, and providing for more effective resource allocation. While these all would eventually drive a more predictable process and results, we find the specific underlying drivers of predictability and velocity very informative.
Two key vectors of pipeline management effectiveness are process and discipline.	While there was little disagreement from the participants on the importance of process and discipline, we learned that strategy and especially technology have huge impact on the effectiveness of pipeline management.
The “right” level of sales and sales support resources are clearly understood for each opportunity and allocated for maximum effectiveness (and profitability).	Resoundingly, our participants saw “resource allocation” (in two forms—the right transactions and the right resources) as the key benefit of advanced pipeline management.
In general, most sales organizations do not trust their pipelines, and are dissatisfied with their pipeline management process and discipline.	This appears generally to be true based on the input from our participants. Dissatisfaction is common, improvement programs even more common. Even a few of the top performers have programs for incremental improvement.  Most of our participants demonstrated evidence of distrust of pipeline data. It’s generally disconnected from forecasts, suffers from relatively low use, is not clearly valued, and was described (quite a few times) as “fluff—especially in the early sales cycle.”  Of course, there are notable exceptions and clear signals that “it should be better.”

## Key Findings

### 1. **Revenue Pipelines: Not trusted**

“Do I trust my pipeline? Sure, but not the data,” was a common theme expressed by our participants. While not everyone interviewed agreed, the lack of control of input, lack of standards, cultural impacts, and lack of sales skills in recognizing a “real” opportunity were frequently cited as the culprits.

Most of the time, pipeline trust was based on “personal knowledge of transactions” or sales teams. “I adjust team X down by 15% and team Y up by 20% and get to a fairly consistent forecast.” Conversely, top performers not only trust their pipelines but they consistently link the information into their forecasting processes.

### 2. **State of pipeline management: Dissatisfied**

“Have you talked to any sales executive who’s satisfied with his or her pipeline management?” While in fact we did, it was not common, with over 75% noting dissatisfaction with their pipeline management process or discipline. Even more telling is that over 80% of the participants were engaged in some active improvement initiative, with many engaged in “sweeping reforms” and a few at the extreme of “re-building the entire process and discipline.”

### 3. **Pipeline management: An important business discipline with broad business benefits.**

When participants were asked to describe the potential business benefits of effective pipeline management, they described a broad set of benefits. A top-line view of their responses suggests a general con-

sensus on the potential for pipeline management to improve profitability and grow revenues. The specifics defining how these benefits will be achieved are focused on resource allocation, opportunity selection and focus, and improvements in strategy based on information.

### 4. **The business value of pipeline management information: Consistency and differences**

In general, the participants highlighted the value of pipeline management information to the sales organization as a basis for communications, coaching, opportunity management, and strategy alignment and development. All of these uses were driving at the goal of increasing sales velocity by defining the best actions the team could take at any moment in time.

Outside the sales organization, pipeline management information was often used by marketing, development, supply chain management, and delivery organizations. While there are clear differences among organizations (primarily based on their commitment and pipeline management process maturity), a key difference in the perceived business value of pipeline management information is apparent between professional/consulting service organizations and product organizations.

### 5. **Effective pipeline management requirement: Strategy, people, process, and technology**

While at its core pipeline management is an information process with the primary purpose of enhancing decision-making, it is dependent on people and enabling technology. The

## Key Findings

correct balance of strategy, people, process, and technology is a key requirement in creating an effective pipeline management system.

### 6. **Inhibitors to effective pipeline management: Tools and tool integration**

The most frequently named inhibitors to achieving an optimized state of pipeline management were the pipeline tools and tool integration (44% of respondents), and integration with other business processes (44%). Issues with the tool set were broadly distributed across pipeline management maturity levels, with the most experienced organizations looking for enhancements and integration and the least mature seeking an initial toolset. The recognition that integration with other business processes is an inhibitor reflects the idea that optimization of pipeline management is dependent on cross-organizational involvement.

### 7. **The state of the art of pipeline management: Diverse and evenly distributed**

In general, respondents averaged at close to the midpoint of the maturity scale we developed from the interview process. About one-third of the respondents were in a very low level of development with undocumented, unpredictable, and ad hoc pipeline management approaches. Another 29% were in a moderate state of development with some elements of control and defined processes. The top performers were split between those in a proactive state of maturity (24%) and the most mature organizations (14%), which had pipeline management processes that contributed

extremely strong value to their overall businesses.

### 8. **Some participants' pipeline management approaches would benefit from additional process sophistication—including formalization of recommended actions across the buying process.**

Participants reviewed the Critical Path Strategies two-dimensional model for pipeline management, and provided valuable input to its applicability and use. The model, called “all-wheel traction” pipeline management, describes the specific facets of multi-level selling across the buying cycle. While most participants agreed with the value of the approach, several commented on the need for simplification, additional integration, and flexibility in the selling process. In general, very few of the participants had the implied level of pipeline management sophistication in place.

## Detailed Findings

### Trusted Pipelines: A Rarity?

Pipeline information rarely (if ever) is the sole source of forecasting information. While we do not believe it should be the only input, only one-third of our participants directly link pipeline data to forecasts.

All participants who were involved in forecasting revenue indicated that they “generally made” or “always made” their forecasts. However, the reasons organizations “always made” their forecasts often had little to do with pipeline management—large recurring revenue streams or “sandbagging” were mentioned several times.

While we found that about one-third of the organizations involved made a direct connection between their pipeline information and their forecasts, another third described it as input that was only indirectly used, and another third as “not used at all.”

Examples of sales executives applying their own estimation techniques were frequent, and early sales cycle transactions were commonly categorized as “fluffy.”

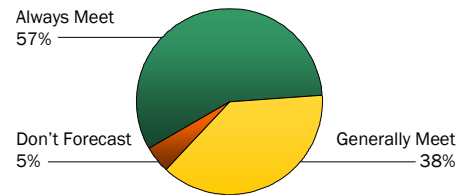
While our study was not rigorous from a quantification perspective, we did identify a strong relationship between forecast accuracy and the use of pipeline information.

- Organizations that directly linked their pipeline data to forecasts say that they always meet their forecasts.
- Organizations that say they “generally meet” their forecasts either connect pipeline management information indirectly or not at all.

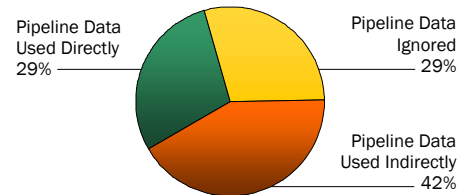
- Organizations that provide highly customized or professional-service-oriented solutions tend to connect their pipelines more directly with their forecast than product companies.

Net: Trusted pipelines and linkage to the organization’s forecasting approach do appear to be an important factor revenue predictability.

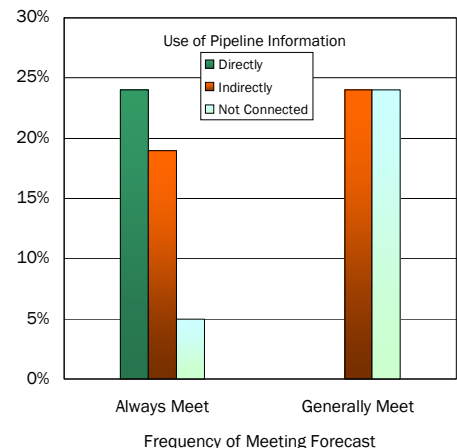
**Frequency of Meeting Forecasts**



**Use of Pipeline Information in Forecasting**



**Forecast Accuracy and Pipeline Management Information Use**



## Detailed Findings

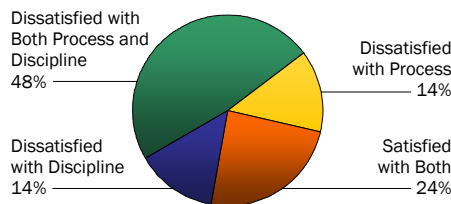
### Satisfaction with Pipeline Management: Not!

Indications of “lack of trust” also show up in the participants’ satisfaction with pipeline management, and in their willingness to expend resources on corrective action. Even a few of the satisfied participants are engaged in improvement projects. This indicates that the response to the question, “Are we there yet?” is almost always “No.”

Thus it is not surprising that most participants who mentioned their recent successes also described the work they had left to do. They seemed to recognize that pipeline management was an ongoing journey.

And while pipeline management was “not a priority” for a couple of participants, only one participant believed that they may have gone too far, and needed to reassess their processes, workload implications, and impacts on sales representatives’ time.

### Satisfaction with Pipeline Management



A few in new positions in companies, or positions without much prior focus on pipeline management, will make major investments:

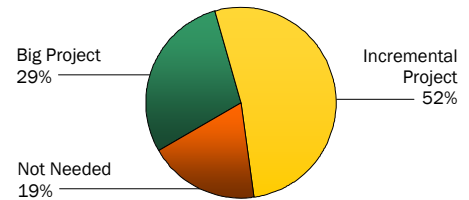
- One credits a focus on sales process and pipeline management as “why I got the job.”

- Another will focus on lessons learned by other company divisions as they aggressively implement, and has a financial mandate to do it.

Most of the incremental projects are focused on tools and tool integration, with some others focusing on process streamlining and refining processes.

Indeed we are not there yet.

### Improvement Projects



## Detailed Findings

### Pipeline Management Vision

Participants describe their visions of the impact of “optimized pipeline management” in general terms of increased revenue, reduced costs, and improved profitability. Deeper analysis of the input reveals the ways these benefits will be achieved.

*Optimize Resource Allocation, Improve Focus, and Facilitate Effective Opportunity Selection*

As one participant noted: “[The main benefit] would be more business and better selection of opportunities to pursue.”

Several participants indicated that good pipeline management would not only improve the selection of “which opportunities to pursue” (approximately 25%), but would also help align resources with selected opportunities (approximately 40%). In general, pipeline management is seen

as a process and discipline that would help their organizations focus on “doing the right things with optimal resources.”

Organizations that provide highly customized or professional-service-oriented solutions view optimizing resource allocation slightly differently than product companies. For service companies, resource allocation is about assigning (and in some cases training) people to deliver services and solutions. For product companies, “optimizing resource allocation” is more about ensuring that their supply chains can build the quantity of product needed or that they have sufficient quantities in inventory for the opportunities in the pipeline.

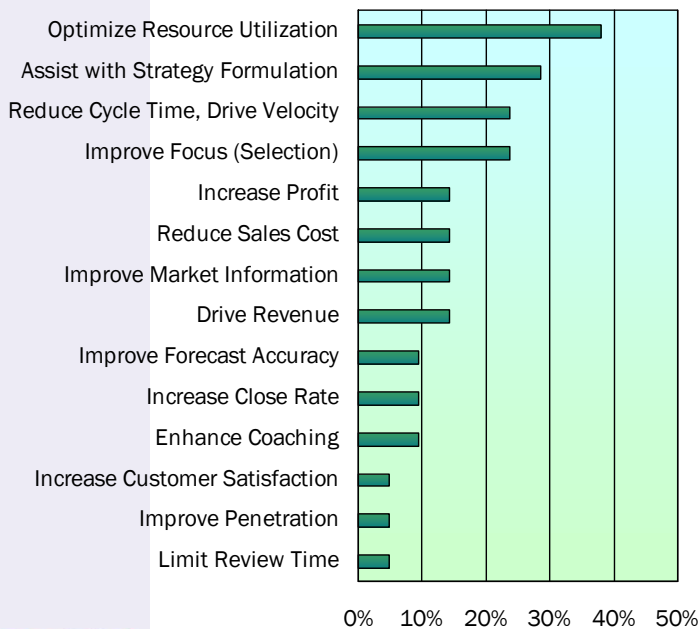
*Reduce Sales Cycle Time, Increase Sales Velocity, and Drive Revenue*

Reducing the sales cycle time was a common theme from several participants. Not only was pipeline management key in ensuring that sales activities occurred in a timely manner, but it provided sales management with the ability to catch problems early and provided focus on “stalled” opportunities.

*Provide Important Input to Strategy*

Participants describe this in two different ways (and some mentioned both). First, pipeline data provides input to short-term sales strategy and facilitates coaching. Second, aggregated (and, in some cases, historical) data is used as an input to overall business strategy. Both uses indicate the value of pipeline information as a basis for strategy and decision-making. One participant noted, “The pipeline has huge impact on planning for the delivery organization, both in terms of people and technology resources.”

### Key Elements of Vision



Note: Percentage of Respondents Mentioning (Multiple Responses Collected per Participant)

## Detailed Findings

### Value of Pipeline Management Information

#### *Inside the Sales Organization*

In general, pipeline management information is used to improve communications within the sales structure to accelerate sales, make better selection and resource allocation decisions, and to enable a long-term view.

Pipeline information provides a basis for early corrective action regarding revenue trends and allows sales executives to take timely action. As one participant put it, "...uses pipeline information to get a sense for where the business is short term relative to making the forecast, and long term making sure there is enough in the pipeline to meet objectives down the road."

Coaching is facilitated by pipeline information. "Pipeline data is used to intercede and facilitate when needed. It's through weekly meetings between sales executives and managers that issues will come to light."

Regularly scheduled (weekly is most common) meetings intended to accelerate sales cycles were held in almost all of the participants' organizations. The key point that several participants mentioned was using the meetings to drive action. As one participant mentioned, "The weekly call lends itself to coaching and education based on the issues discussed that are hampering a sale. This tends to occur when going through open points and asking what needs to be done to move this forward?" Even among top performers where just-in-time (ad hoc) coaching was the primary model of coaching communications, a weekly meeting occurred. In a few of the participants' organizations (generally the smaller ones) and at lower

levels, the participants relied on their personal knowledge of sales opportunities and transactions to drive communications.

A common theme in both service and product companies was using pipeline data to support opportunity decisions. As one service company participant noted, "Using it as a basis for weekly approval/ no approval reviews keep the information current and relevant."

#### *Outside the Sales Structure*

Outside the sales structure, pipeline information is used by some of the participants' organizations to link input to development, service delivery, supply chain management, and marketing.

There were a few cases in which the use of pipeline information as a basis of development was cited. When prompted, a few participants indicated that the sales cycle and the development cycle were not in sync so the pipeline information was either too early or too late to assist in most product development efforts. One marketing executive mentioned that, "[pipeline information] will be used in the 2006 planning process to develop and assess services and products." Another described pipeline information as a means to assess whether a commonly ordered group of components should be packaged as a solution. The use of pipeline information in supply chain management and service delivery management was significantly different based on the organization's business model.

#### Inside the Sales Organization

Primary Uses of Pipeline Information—by the Top-to-Bottom Sales Team:

- Communications
- Coaching
- Opportunity Selection
- Strategy Alignment
- Drive Velocity by Defining and Supporting Action

#### Outside the Sales Organization

Primary Uses of Pipeline Information—by Organizations Outside the Sales Team:

- Product Development
- Marketing
- Supply Chain Management
- Service Delivery Management

## Detailed Findings

### *Differences in Value Based on Business Model*

Differences in the use of pipeline information seem strongly related to the degree of customization of the offering.

### *Professional/Consultative Service Providers—Organizations with a high degree of offer customization*

Organizations providing largely custom solutions rely on the pipeline management process as a key resource allocation tool for delivery resources. During the conversion from lead to proposal to engagement, these firms review pipeline opportunities to make go/no-go decisions and assign engagement, assessment, and site survey or proposal resources. Due to this important function, pipeline management data (at the individual opportunity level) is often highly visible across the management team, and viewed as a critical business asset.

### *Product Providers—Organizations with a low degree of offer customization*

At the other end of the customization scale, are product providers who sell “off-the-shelf” components and manufactured goods. They use pipeline management data to ensure that adequate supply exists in inventory (or is easily acquired) to meet potential business needs. They link their pipeline data to inventory and financial management systems. They attach high value to pipeline data as a tool to drive supply chain efficiency, and to jointly forecast with customers. This often occurs “under the operational covers” and is generally not visible to senior management, except in an aggregated form.

### *Solutions Providers—Organizations with a moderate degree of offer customization*

In the space between the “fully custom” and the “off-the-shelf” providers, a number of companies in the study were characterized by a combination of both types of offers, generally integrated (at least to some extent) in the field. Solutions providers value pipeline management data as a sales tool, and for aggregated input into solution development. Pipeline data is used to access the optimum packaging level and the best integration point (development vs. field) for solutions.

Sophisticated solutions providers integrate the process of ensuring that their field organizations are aligning solutions with customer value via their pipeline reviews and coaching efforts. Thus, solutions providers focus on value alignment between their customers and the offer being constructed in the field, and imbed this in their reviews and processes.

## Detailed Findings

### Best Practices Model

Pipeline management is an information process intended to support decision-making and drive the most effective “best next actions” possible. Pipeline management is optimized via a balance of strategy, people, process, and technology.

#### Strategy

Strategy includes the engagement of top-level executives in the process and the use of pipeline information for strategic purposes. Alignment of pipeline management with other business processes and the overall business strategy is a key best practice. This requires an environment where the business value of pipeline management information is understood, not only within sales, but also across the entire business.

### People

Pipeline management is people intensive, the value of pipeline information is dependent on consistency of definitions, use, and execution. Individual sales personnel must conform to a level of information quality that makes the data useful. This requires a focus on culture, skills, incentives, and accountability. Discipline in execution is necessary across the management team and down to the individual contributor level.

### Process

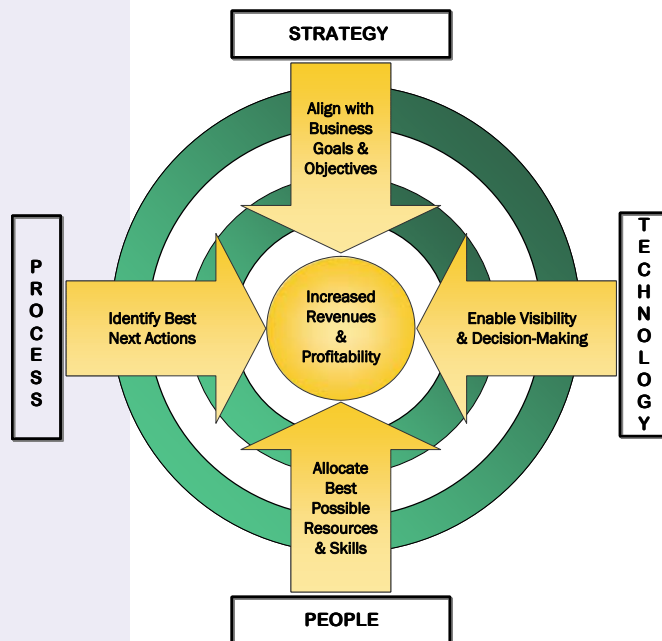
Key elements of best practices from a process perspective include a process for review that results in useful (and positive) feedback and action. Resource allocation based on pipeline management information reinforces the organization’s apparent confidence in the process.

Clarity in the linkage between the pipeline and the sales process (and sales cycle) is an important process-oriented best practice. This clarity results in meaningful coaching, which in turn results in increased sales velocity.

### Technology

Technology best practices enable the use of pipeline information. They include integration of the technology into day-to-day operational sales tools and ease of use, at several levels. Pipeline tools must be “natural” extensions of the sales representatives’ workload and workflow. Data entry must be simple, while enforcing information quality and consistency standards. The pipeline management technology must encourage the use of the information by providing interfaces and tools for business intelligence, exception reporting, and root cause analysis.

Pipeline Management Balance



## Detailed Findings

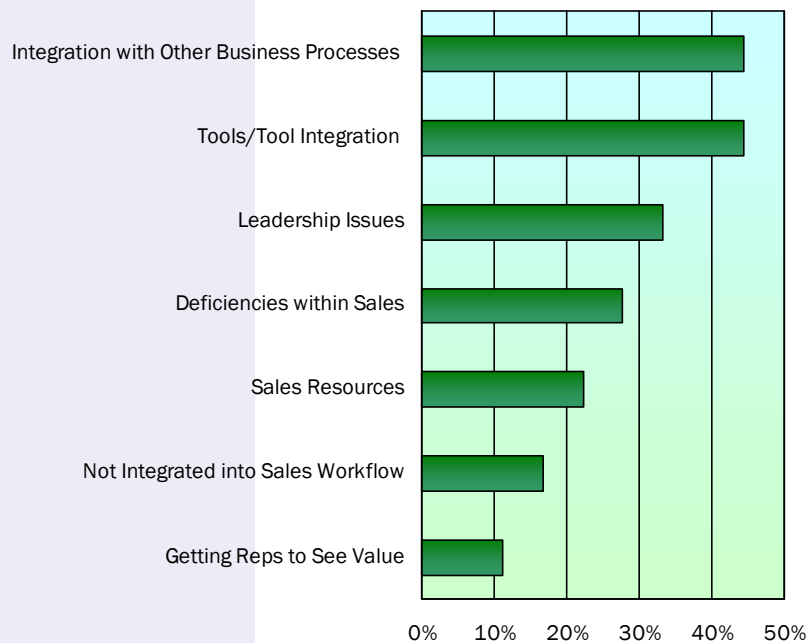
### Pipeline Management Inhibitors

The most frequently mentioned inhibitors to effective pipeline management were tools/tool integration (mentioned by 44% of respondents), and integration with other business processes (44%). These were followed by “leadership issues” (33%), “deficiencies within sales” (28% - generally these inhibitors described skills issues, sales management focus, or sales process issues), and sales resources constraints (22%).

#### Tools and Tool Integration

A significant amount of discussion during our interviews was devoted to the pipeline management toolset. While this ranged from “fairly satisfied” to “totally broken,” it’s fair to say that the majority of the participants are dissatisfied with their pipeline management tools.

#### Inhibitors



Note: Percentage of Respondents Mentioning (Multiple Responses Collected per Participant)

In addition to simple dissatisfaction with the toolset, several participants mentioned that the real problem was the lack of pipeline management integration with forecasting, account planning, campaign, lead management, and inventory management tools.

These comments were more frequently made by service companies than product companies.

#### Integration with other Business Processes

Sales “talking to itself” is useful in terms of revenue acceleration, coaching, and tracking, but to get the maximum value from a pipeline management system requires multifunctional and cross-organizational engagement. Several participants mentioned that the lack of involvement of the “entire business value creation process” (e.g. development, delivery, support, marketing) significantly limits what could be done with their pipeline management process. Product companies tended to put more emphasis on this inhibitor than service companies.

#### Leadership Issues (and Culture)

Most frequently the leadership issues described the lack of senior management involvement and support of the pipeline initiative. This was generally a lack of senior management interest in the information, and most frequently occurred in organizations with nascent pipeline management processes. We suspect that the engagement of senior management is the use of pipeline management data requires a certain level of maturity and confidence in the process and information, and is difficult to achieve until at least a moderate state of maturity. This, of course, compounds the effort in achieving

## Detailed Findings

high maturity, as the support of senior management is an important symbol in fostering the cultural environment necessary to get there.

Generally we grouped issues regarding culture into the leadership inhibitor as they were most often expressed as a leadership or management issue. Highlighting the importance of maintaining an effective and non-punitive environment was pervasive. As one participant said, “Culture is the biggest challenge for our organization.” In some cases, the participants mention the heritage of their businesses as a significant contributor to pipeline management success, indicating that a lack of customer, sales, and marketing focus can be a significant impediment.

### Pipeline Management Maturity

As part of the interview process, we collected a series of data points intended to diagnose the maturity of the participants’ pipeline management approach. We scored the organization’s pipeline maturity on a one-to-five scale (low to high) based on the following:

- **Strategy.** High maturity indicated by the recognition of the revenue pipeline as a business asset. Resource allocation and opportunity selection is facilitated by quality opportunity information.
- **Leadership.** High maturity indicated by senior management support, and the recognition of pipeline data as valuable business information. Pipeline information trending shows evidence as instigating efforts external to sales (e.g. product development, packaging).

- **Culture.** High maturity indicated by complete viability of pipeline data across all relevant management layers, without significant filtering. Sales representatives secure that pipeline management will not be used in a punitive manner, and that it represents an important management tool that benefits the entire business.
- **Process.** High maturity organizations have formal processes with clear stewardship. The process is supported by high-quality automation that enhances data use and is integrated into the sales representatives’ workflow and the sales cycle. Just-in-time coaching is facilitated by pipeline information and accelerates revenue.
- **Discipline.** High maturity is indicated by consistency, accountability, and a broadly used metrics system. Forecasts based on pipeline data are consistently met. Stakeholder value is optimized, via revenue velocity, customer value alignment, and improved negotiation strength.
- **Organization.** High maturity is indicated by seamless execution without the requirement for significant staff support, and minimal impact on sales representatives’ workloads.

### Overall Results

Overall, the participants’ organizations scored at just under the midpoint (2.97) of the five-point maturity scale. Average scores for individual sections (i.e. Strategy, Leadership, etc.) were also close to the midpoint, with Leadership the high at 3.05, and Process the low at 2.66. Interestingly, there was little difference in maturity (on average) for service vs. product companies.

## Detailed Findings

### Performance Groups

Individual organizations were widely dispersed with a high score of 4.71 and a low score of 1.1. The respondents' performance fell into four fairly clear groups as noted below:

- **Flight School.** Seven organizations with an average overall score of 1.58 on a five scale.
- **Private Pilots.** Six organizations with an average overall score of 2.81 on a five scale.
- **Commercial Pilots.** Five organizations with an average score of 3.72 on a five scale.
- **Top Guns.** Three organizations with an average score of 4.62 on a five scale.

**Flight School** organizations were generally new to pipeline management as a business discipline. Most had active improvement programs in place. This is apparent from their relatively higher scores in leadership. From this we infer that the first step in the development of an effective

pipeline management approach is the realization by management that it needs to be a focus initiative. A few of the participants in this group were specifically "brought in" to implement sales process and discipline.

(2.81). Their pipeline management processes are in control but tend to be reactive in nature.

Most of the Private Pilot organizations also had improvement programs in place, but they tended to be less sweeping than flight school organizations, focused on incremental improvement in a few key areas. The most significant improvement areas between Flight School organizations and Private Pilot organizations are Strategy and Culture.

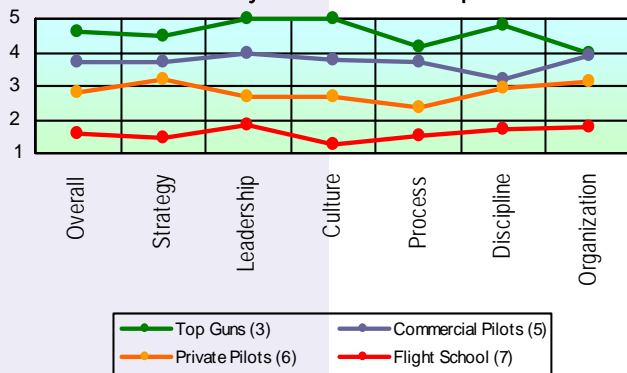
**Commercial Pilot** organizations represent a proactive state of pipeline management. They have achieved an overall maturity level of 3.72 on a five scale. Their pipeline management processes are well-managed, proactive, and contribute to their overall business success. Forecasts are consistently met. Coaching is effective and accelerates sales velocity.

About half of the Commercial Pilot organizations have improvement programs in place that are very selective in nature, often representing things like "next generation tools" and broader cross-organization process integration. The most significant improvement areas between Private Pilot organizations and Commercial Pilot organizations are in the areas of Leadership and Process.

**Top Guns** represent a world-class state of maturity in their pipeline management approaches. Their pipeline information adds value to their businesses, broadly improving decision-making across the organization. Consistency and stakeholder value are optimized. They score, on average, very close to the top of the scale at 4.62 on a five scale.

Generally the key difference between Commercial Pilot organizations and Top Guns is in the area of Discipline. Top

Maturity—Performance Groups



**Private Pilot** organizations represent a significant jump in maturity over the flight school organizations with a 78% increase in their overall average score. They are close to the midpoint of the scale overall

## Detailed Findings

Guns demonstrate balanced performance across the maturity model, and have very specific “tuning” initiatives in place to improve their pipeline management.

### Maturity Progression

The comparisons between the maturity groups can give us some insight into how maturity may progress. While these groups describe different organizations at differing levels of development and are not a longitudinal study of the actual maturation process in each organization, they do indicate some tendencies in the process.

It appears that it all starts with Leadership. Flight School organizations in a generally chaotic state relative to pipeline management maturity begin the progression by realizing that they need to improve.

The next steps appear to be focused on Strategy and Culture as organizations seek to gain control of their pipelines and move to a more controlled, albeit reactive, state. This is followed by a focus on Process and further engagement of Leadership, moving organizations to a proactive, controlled state of pipeline maturity. And finally balanced performance, with a strong focus on Discipline, leads organizations to a state of optimized pipeline management.

Through this progression, pipeline information becomes more valuable, and the contribution of the process to the business increases. Sales velocity is improved. Resource allocation is optimized. Just-in-time coaching, and customer alignment positively impact customer value.

## Detailed Findings

### Critical Path Strategies — Pipeline Management

At the end of the interviews we introduced the Critical Path Strategies (CPS) model for pipeline management execution. The CPS model is based on two vectors—the sales cycle and a broad set of considerations that positively impact the customer’s buying cycle.

#### All-Wheel Traction

The TRUST Concept (Technology, Relationship, Utility, Strategy, and Team) is a system of considerations that can positively impact the customer’s buying cycle. When applied across the cycle, attention to these considerations can accelerate and “normalize” buying. Buying becomes a predictable process.

CPS calls this “all-wheel traction.” At each stage of the buying cycle a different set of TRUST actions is defined. This matrix of actions becomes the basis for reviews, metrics, and ensuring sales velocity.

### TRUST Elements

- **Technology.** The Technical “fit” of the offering to the customer’s environment
- **Relationship.** Key Relationships that must be successfully engaged and nurtured
- **Utility.** The Utility and subsequent value of the offering that enables the client to implement the solution to meet their goals
- **Strategy.** The Strategy and tactics the selling team must deploy to create client-recognized value and the urgency to take action
- **Team.** Enrolling the selling team and partners to execute the strategy

The chart below is an example of the types of actions that correspond to the “TRUST” concept at different stages of the selling cycle.

	Technology	Relationship	Utility	Strategy	Team
<b>Qualify</b>	<ul style="list-style-type: none"> <li>▪ Identify solutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify areas of common interest &amp; mutual relationships</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify pain &amp;/or key initiative</li> </ul>	<ul style="list-style-type: none"> <li>▪ Demonstrate capability via briefings &amp; sales materials</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lead management process integrates team</li> </ul>
<b>Discover</b>	<ul style="list-style-type: none"> <li>▪ Refine solutions using customer assessments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify sponsor</li> <li>▪ Focus on relationship building</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand impact of customer pain &amp;/or initiative objectives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deliver examples &amp; success stories</li> <li>▪ Scope opportunity &amp; define leverage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Define account team partners &amp; jointly develop customer interest</li> </ul>
<b>Architect</b>	<ul style="list-style-type: none"> <li>▪ Assess needs &amp; confirm technical evaluation criteria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop relationship strategy &amp; action plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand &amp; target value</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focus opportunity to a single solution</li> <li>▪ Identify appropriate resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Gain consensus from customer on solution</li> </ul>
<b>Propose</b>	<ul style="list-style-type: none"> <li>▪ Develop POC or trial</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engage relationship strategy &amp; action plan. Focus communications on complete understanding of decision criteria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Refine value proposition for competitive differentiation</li> <li>▪ Complete project justification</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand potential barriers &amp; deliver complete proposal</li> <li>▪ Engage references</li> <li>▪ Negotiate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Align team &amp; support flawless execution of POC or trial</li> </ul>
<b>Close</b>	<ul style="list-style-type: none"> <li>▪ Update solution based on evaluation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integrate customer with support &amp; management team</li> </ul>	<ul style="list-style-type: none"> <li>▪ Confirm customer &amp; team understanding of business utility</li> <li>▪ Provide customer analyst examples</li> </ul>	<ul style="list-style-type: none"> <li>▪ Evaluate deal trade-off &amp; confirm terms</li> <li>▪ Initiate project management &amp; delivery processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Engage full ongoing support team &amp; coverage model</li> </ul>



## Detailed Findings

Organizations that implement this two-dimensional concept in pipeline management tend to view selling strategy as multi-faceted. Alignment with customer value is demonstrated via clarity in the fit between the customer's needs and the provider's capabilities. Selling occurs at multiple levels within the customer, serving the needs of complex buying units. The sales team and the customer are fully integrated to maximize the utility of the solution.

Conversely, organizations that implement a more traditional single-dimensional sales cycle, addressing technology in the early sales cycle stages and formulating teams during the later stages, tend to miss the ability to leverage the opportunity and may be exposed to surprises during the buying process.

### *Study Participants' Input*

When presented with the "all-wheel traction" model, most participants agreed that the application of this level of process discipline would certainly and positively impact their success. Participants liked the direction that such a model and approach would provide.

The participants generally commented that the "all-wheel traction" model would fit well with their larger opportunities and more complex sales, but may be overly complex for simple transactions. Some simplification might be needed. Other concerns included the lack of flexibility implied by the rigid structure, and the potential difficulty of integration with their current approaches. One participant wondered, "Is it ever really implemented that way in the field?" Conversely, several commented that the "senior reps do this intuitively" and "codifying for the other reps would be great."

Several participants indicated that a few things were missing. These included the integration of other processes, including lead generation/marketing campaign management, and account planning. A few indicated that the process could be enhanced with more structure and automation, similar to a "stage/gate" development process and an automated approach to "sales coaching."

Clearly, the "raw" model is not applicable to every situation, selling approach, or provider's business model. Tailoring the model to specific situations and integration of the model with the appropriate business processes is necessary.

### *Activation*

In addition to presenting the "all-wheel traction" model, we showed the participants an example of how it might be used to visualize the status of key transactions in a particular territory.

One participant noted, "The thought process works for complex sales...we are finding over time that surprises are reduced. When we do win/loss reviews, we are able to drill down and find a particular area where they [the reps] have skipped an activity/step." Another noted, "I see great value to the dashboard...it lets you walk through the discipline and see what it is we are talking about, and we can also see red flags easily."

The use of the "dashboard" has many applications and is key to activating an effective pipeline management process. It can help with root-cause analysis, understanding the reasons for a win or loss. It also provides a clear basis for "just-in-time" coaching.

## Detailed Findings

Envision yourself in a conversation with a sales rep that has just delivered the below chart. What do you want to talk to the rep about?

	Opportunity 1	Opportunity 2	Opportunity 3	Opportunity 4	Opportunity 5	Opportunity 6
<b>Qualify</b>						
Technology	Yes	Yes	Yes	Yes	Yes	Yes
Relationship	Yes	Yes	In Process	Yes	Yes	In Process
Utility	Yes	Yes	Yes	Yes	Yes	In Process
Strategy	Yes	Yes	Yes	Yes	Yes	Yes
Team	Yes	Yes	Yes	Yes	Yes	In Process
<b>Discover</b>						
Technology	Yes	Yes	Yes	Yes	In Process	In Process
Relationship	Yes	Yes	In Process	Yes	Yes	In Process
Utility	Yes	In Process	In Process	Yes	In Process	In Process
Strategy	In Process	In Process	Yes	In Process	In Process	In Process
Team	Yes	Yes	Yes	Yes	Yes	In Process
<b>Architect/Align</b>						
Technology	Yes	In Process	In Process	Yes	In Process	In Process
Relationship	Yes	In Process	In Process	In Process	Yes	In Process
Utility	Yes	In Process	In Process	Yes	In Process	In Process
Strategy	In Process	In Process	In Process	Yes	In Process	In Process
Team	Yes	Yes	In Process	Yes	In Process	No
<b>Propose</b>						
Technology	In Process	In Process	In Process	Yes	In Process	No
Relationship	In Process	In Process	In Process	Yes	In Process	No
Utility	Yes	In Process	No	Yes	In Process	No
Strategy	In Process	In Process	In Process	Yes	In Process	No
Team	Yes	Yes	In Process	Yes	In Process	No
<b>Close</b>						
Technology	Yes	In Process	Yes	Yes	Yes	No
Relationship	Yes	In Process	Yes	Yes	Yes	No
Utility	In Process	In Process	No	Yes	In Process	No
Strategy	In Process	In Process	No	In Process	In Process	No
Team	In Process	In Process	No	Yes	In Process	No

## Conclusions – Leaders’ Best Practices

### State of the Art – at the Top

About 40% of the participants’ organizations had achieved a level of solid performance in pipeline management. These organizations had implemented pipeline management approaches with sound and optimized processes, rigorous management discipline, quality technology solutions, supportive culture, and engaged senior management. They consistently met forecasts, had already achieved a high level of sales velocity, were able to select opportunities effectively, and allocate resources efficiently. Interestingly, most of these leaders had improvement projects in place (the journey continues).

### Leaders’ Best Practices

Leaders’ best practices demonstrate their high level of sophistication. To put this in perspective, one participant, new to his position (and specifically put in place to instill sales process optimization), noted, “That’s high school stuff. We’re in third grade.” Indeed, but perhaps the leaders, representing both service and product companies, are in grad school. Here’s what they said:

- **Recognition of the revenue pipeline as a business asset**

In general, the leaders’ organization recognized the business value of their revenue pipelines. They exhibited an excellent understanding of how pipeline (and managing the pipeline better) impacts their business. This understanding was shared across (and up and down) the business. In short, the pipeline represents the future of the company.

- **Recognition of pipeline information as a business information asset**

Not only did the leaders exhibit an understanding of the value of the pipeline itself, their organizations valued the information the pipeline management system supplied, both within sales and in other business functions. As one participant put it, “Pipeline data is the data source regarding sales.” They used pipeline data across the organization to assess internal investments in product development, marketing, and service delivery/supply chain management. Pipeline information was often viewed as an important input to strategic decisions.

- **Pipeline management is part of management rhythm**

In the leaders’ companies, pipeline management process and discipline was simply a part of day-to-day operations and decision-making. A culture that evidences the belief that “this needs to be done to help us understand and run the business better” is in place. In fact, the leaders have implemented cultural environments where pipeline management has transcended the status of “not punitive nor optional” and have achieved an environment where the activity is actually appreciated and (dare we say?) enjoyed. Sales representatives receive better coaching, get help when needed, and attain greater success. Management enjoys better information. And most importantly, the business achieves increased profitability and revenue growth.

#### Leaders’ Best Practices

- Recognition of the revenue pipeline as a business asset
- Recognition of pipeline information as a business information asset
- Pipeline management is part of management rhythm
- Pipeline management process is detailed, rigorous, and supported by effective automation
- Pipeline management drives tangible business results

## Conclusions – Leader Best Practices

- **Pipeline management process is detailed, rigorous, and supported by effective automation**

Leaders generally had formal, disciplined, and rigorous pipeline management processes. These processes and the automation supporting them were integrated into the sales workflow and other business systems. Their processes and information requirements were not burdensome. They were not only business as usual, but also facilitated operations.

- **Pipeline management drives tangible business results**

Not only do the leaders discuss pipeline management in terms of communications, coaching, intervention, control, and information, they discuss real business results. They have experienced improved profits, grown revenue, penetrated accounts more effectively, improved alignment with customers, and stockholder confidence. They have used their competence in internal communications and process to create value for themselves, their customers, their employees, and their stockholders.

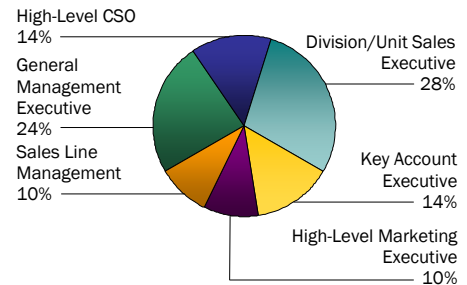
## Study Demographics

Approximately two-thirds of the participants were from sales management roles, ranging from corporate Chief Sales Officer to Sales Line Management. The remaining third were general management executives, most of whom had sales jobs prior to their current assignment, and marketing executives with close linkages to their sales organizations.

Almost all of the participants were quota-bearing, or had revenue and profit business objectives.

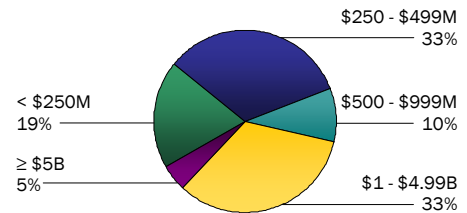
All had some degree of experience and a good degree of visibility to their organization's pipeline management processes and practices.

**Participant Role**



**Relevant Revenue**

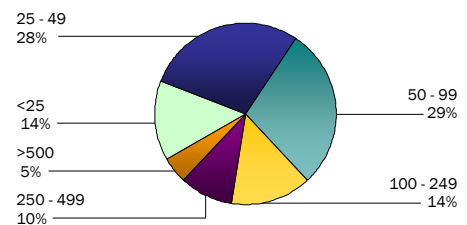
The revenue associated with the participants' span of control ranged from a high of over \$5 billion to a low of under \$250 million. We have denoted this metric as "relevant" revenue in the chart.



The number of sales reps relevant to the participants' span of control ranged from a high of over 500 direct representatives to under 25.

The participants came from a diverse group of industries with a high concentration of information technology and professional services companies.

**Direct Reps (Relevant Count)**



## About Critical Path Strategies

Critical Path Strategies helps clients improve the effectiveness of their sales organization. Our portfolio of services addresses the strategic, organizational, and relationship issues that impact selling performance. Our powerful processes enable clients to transform their sales culture, enhance their competitive position, and accomplish strategic business initiatives. Our clients—emerging companies and members of the Fortune 500 alike—typically measure 100 to 500 times their CPS investment in revenue growth.

## About Filigree Consulting

Filigree Consulting administered this study and performed the analysis of the results. Filigree provides custom research, project management, and research consulting for client projects as part of its focus on information-intensive industries. Filigree Consulting works with clients to help them align with key constituencies and build competitive advantage through fact-based decision-making.

*Trust Your Pipeline*

by Mike Morton



The CPS theme of "TRUST" is a recognized ingredient for success in building a sustainable pipeline for growth.

*The responsibility of predicting sales and delivering revenue within expectations is nothing new to sales executives. Developing forecasts, tracking key deals, and scrutinizing win ratios have always been an integral part in conducting trade. And while the processes of generating opportunities and delivering revenue have represented the fundamental raison d'etre for selling organizations, the environment today has become more complicated. Publicly traded companies, in providing financial transparency as mandated by Sarbanes-Oxley, find that corporate governance is a critical issue.*

In an unfortunate era of corporate misbehavior, investors, stockholders, and customers carefully scrutinize the financial health of an organization and assess the risk factors of owning equity and doing business with a company that expounds their value and strength, but could be defunct tomorrow. How can credibility be assured?

Companies operate in a world that communicates current business performance in terms of key ratios: EBIT; DSO; COGS; E/R; Debt to Equity. In evaluating companies, we study the balance sheet, the income statement, 10Ks, 8Ks, and analyst reports. In analyzing a company's anticipated performance, we trust that a combination of corporate ethics, internal governance, and reporting regulations will permit an outsider to attain a reasonable picture of stability. The street rewards growth and predictability intuitively, and in the simplest terms, the true future value of any company is based upon the size, quality, and predictability of its "revenue" pipeline. While forecasting accuracy is essential when managing quarter-to-quarter shareholder expectations, analysis of the revenue/opportunity pipeline can provide the clearest view of marketplace strength and competitive trends. The fact is, pipeline management is not a well-honed practice in many firms. One of our clients mused "If we managed our expenses the way we manage our pipeline, we would be out of control and probably out of business."

Amazingly, in our decades of working with the largest and most prestigious companies in business today, we often find that the executive leadership takes little interest in the purposeful assessment of the revenue pipeline. They miss the opportunity to address potential revenue gaps until deals have stalled in the pipeline and the forecast is jeopardized. Fundamentally, we believe that the pipeline of opportunities must be managed with the same rigor as every other asset of the enterprise. CPS believes that a "managed" pipeline is one that is purposeful and is built on a principle of TRUST.

In organizations where a *trusted pipeline* exists, selling is viewed as a function that orchestrates the actions associated with multi-faceted strategy. Progress of an opportunity is measured in how well we've demonstrated a fit between the customer's needs and our capabilities. We look at the process and approach to relationship-building and how we are creating value from the utility of the fit. We view the nature of the strategy and the teamwork required to activate the strategy. Simply put, we call this TRUST. In this use of TRUST, consider that pipeline management needs are similar to an all-wheel drive vehicle. All facets of the sales process need to be engaged at some level from the beginning of the process through to close.



<b>T</b> echnology	The Technology “fit” of your offering to the customer’s environment
<b>R</b> elationship	Key Relationships that must be successfully engaged and nurtured
<b>U</b> tility	The Utility and subsequent value of your offering that enables your client to implement the solution to meet their goals and address their pains
<b>S</b> trategy	The Strategy and tactics the selling team must develop and execute to create client recognized value and the urgency to take action
<b>T</b> eam	Enrolling the Team (your company’s team and its Partners) to execute the strategy and establishing accountability to action and achievement

**ABOUT CPS.** Critical Path Strategies helps clients improve the effectiveness of their sales organization. Our portfolio of services addresses the strategic, organizational, and relationship issues that impact selling performance. Our powerful processes enable clients to transform their sales culture, enhance their competitive position, and accomplish strategic business initiatives. Our clients—emerging companies and members of the Fortune 500 alike—typically measure 100 to 500 times their CPS investment in revenue growth.

Our experience has shown us that when a company can *trust* its pipeline, the following tangible outcomes occur:

- Sales opportunities proceed through the selling stages with a predictable velocity; opportunities that are stalled in a stage are identified early and proactively addressed.
- The team's win rate exceeds the average in it's industry.
- When an opportunity is lost, the team knows who won and why.
- The organization never misses a forecast; there are no end-of-financial period surprises.
- When negotiations occur in the final selling stages, the organization's negotiating position improves; margins are held.

The bottom-line: A pipeline built on TRUST provides a reliable measurement for a company's future success.



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Join our LinkedIn Group . . . **The Best Best Practices in Sales Effectiveness**