Best Practices: How Sales Leaders Can Ensure Forecast Accuracy.

Discipline. Integrated Vocabulary. Standard Process.

"Best Practices: How Sales Leaders Can Ensure Forecast Accuracy. Discipline. Integrated Vocabulary. Standard Process.," *Miller Heiman Sales Performance Journal,* Vol. 1, No. 1, March 2006, pg. 7.

Attitudes about forecasting can differ radically from organization to organization, and even within organizations. Some perceive forecasting as nothing more than making a wild guess; others realize that buy-in to accurate forecasting is critical to the overall success of the organization. It's not about gut feelings. It's about science, disciplined thinking and planning.

Though divergent opinions may even be held within the same company, every executive knows the importance of accurate forecasts, since an erroneous forecast can have disastrous and far-reaching effects, ranging from internal production and manufacturing difficulties to "the wrath of Wall Street," as Robert Miller, co-founder of the Reno-Nev.-based Miller Heiman, Inc. puts it.

"You cannot forecast based on hope. It has to be objective and real." - Clark Owen, Regional VP, Miller Heiman

"Inaccurate sales forecasts stem from poorly defined processes and inconsistent language based around forecasting." - David Pearson, VP, Sales Operations, Miller Heiman

Discipline leads to accuracy. Even if your current forecasting systems are inconsistent at best, Miller has seen forecasting significantly improved in a month's time. "That can happen once an organization commits to a disciplined approach to forecasting." He goes on to say that forecasts that have been constructed in a disciplined fashion stop being wish-lists and become solid and dependable decision-making tools.

Integrated process and vocabulary: Defined, consistent sales processes where expectations are clear lead to reliable forecasts. As you make your way toward a systematized sales process, a shared vocabulary among sales managers is crucial, and must also be integrated across departments and divisions throughout the organization. Once that vocabulary is in place, there's no room for error when setting expectations.

Key Questions: Owen, as someone who relies heavily on accurate forecasting, recommends asking questions as the key to a precise forecast. Answers to key questions determine objective criteria that predict the probability of the opportunity. These criteria vary across industries, but similar questions can be asked of each opportunity to determine its likelihood of coming to fruition, such as:

- What are the buying criteria for the potential buyer?
- Does the buyer have money to make this kind of purchase?
- Is the sales manager talking to the decision-maker?

> Many companies feel that a CRM system alone will solve their forecasting problems. Miller Heiman found otherwise, in its *2006 Sales Performance Research Study*:
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> - 72 percent of respondents say their CRM system does not provide accurate forecasting.
> - 67 percent say their CRM or SFA system is not integrated with the organization's sales process.
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> When it comes to accurate forecasting, CRM systems provide value when they are tightly integrated with a disciplined sales process.

Accurate data assessment: In order to be successful, you need to use both fact-based and credibility-based forecasting, according to Pearson.

Credibility-based forecasting requires sales leaders to use knowledge based on past experiences, both with the salesperson and the account at hand. To successfully perform this type of forecasting, sales leaders can ask themselves questions, like:

- How does this particular salesperson typically forecast?
- How does this particular salesperson typically work deals?
- What kind of sales track record does this particular salesperson have?
- How has the account in question bought from you in the past?

Fact-based forecasting is about defining the steps in your sales process and the steps in the customer's buying process. "Look at historical data to gauge the future, and attack this data from a reasonability perspective to get a good beginning baseline," advises Pearson.

Historical data can illuminate the conditions that exist when you win a deal. By identifying those conditions, you can determine which criteria you should use to weigh the probability of an opportunity becoming a win. Owen says that the *Funnel ScoreCard*SM can help you in this endeavor, since it eliminates ambiguity and the possibility of misunderstandings between sales people, sales leaders and other executives.

The *Funnel ScoreCard*SM:

- Formulates business and opportunity criteria
- Assigns value to each of the criteria
- Defines each of the criteria in detail.

"The companies that forecast sales the best are those that create a position that is solely responsible for holding the team accountable for using the forecasting process correctly. I like to call that person the Funnel Meister," Miller says.

Theory Into Practice

Jose Becquer, Executive Vice President of Treasury Management Sales and Commercial Business Development for Wells Fargo, says he and his team do a "large deal review," in which salespeople bring deals forward and run them through an opportunity checklist based on Miller Heiman concepts. The checklist is a series of twenty questions--such as "Do you know who the decision-makers are?"-- that rank and prioritize deals, allowing everyone to achieve more accurate forecasts.

In one example of a potential deal that Wells Fargo team members put through the opportunity checklist procedure, the prospect had a great relationship with the incumbent provider and didn't view Wells Fargo's product as having an edge over the incumbent provider's product. Recognizing that these were sign-posts pointing to a deal they were unlikely to win, Becquer and his team didn't waste precious time creating a custom bid for the prospect, instead bidding close to its standard pricing, and they took that deal off the forecast.

The opportunity checklist practice doesn't just benefit the forecast-accuracy side of the equation, but also the percentage of deals won. Previous to implementing this practice, corporate deals at the annual revenue level of $50,000 and above came in at a rate of 25-30 percent. Now, these deals are won at a rate of 50 percent.

Becquer also recommends calculating and tracking coverage of shortfall. "Sometimes people get too enamored with one part of the process," Becquer says. "We're zealots about understanding that, from end to end, you have to have a certain amount of calls that lead to a certain pipeline level that lead to forecasting." Wells Fargo salespeople go on at least 20 in-person sales calls per month. This keeps salespeople focused not just on the current month, but on the big picture.

Results Through Objectivity

By implementing these recommended best practices, you will apply the most necessary tool for an accurate forecast—objectivity. "It forces you to think about and plan for—rather than just hope for—an opportunity," Owen points out. And, while adopting a system will improve your organization's forecasting, it's important to note that sales talent still comes into play. As Miller says, "Good forecasts are still art, not science. Do not pretend otherwise. Nonetheless, forecast results can be improved greatly through disciplined scientific thinking."

About Miller Heiman

Miller Heiman has been a thought leader and innovator in the sales arena for almost thirty years, helping clients worldwide win high-value complex deals, grow key accounts and build winning sales organizations.

With a prestigious client list including Marriott Corp., Dow Chemical, Pepsi, Schwab Institutional and Wells Fargo, Miller Heiman helps clients in virtually every major industry to build high performance sales teams that deliver consistent sustainable results to drive revenue.

The company, headquartered in Reno, Nevada, has offices around the world. More information can be obtained by visiting the company's website at: www.millerheiman.com.