The Bankable Forecast

The Chief Revenue Officer (CRO) role is based on the growing understanding that revenue is a **system-level** process just like other core business systems (quality, production, accounting, information, etc.). Regardless of title, CRO leadership accountability requires an accurate, or as I prefer "bankable," revenue forecast.

The Bankable Forecast Process

The first forecast model I learned was the SWAG approach based on simply cutting the reps numbers in half and calling it done. I knew sales rep forecasts were more emotional than objective as confirmed by deals that were welded to the forecast. The probability of these deals closing went up and down like a volatile stock market and the close date *always* moved further and further out. I didn't want to deliver an inaccurate number; I just had no effective way to separate the fact from fiction in each rep's forecast pipeline. Today, companies are operating lean and make ongoing investment decisions based on forecast data. This point is exacerbated by the "just-in-time" approach to inventory as customers typically order only when they need it. If you cannot meet their delivery window, they go shopping.

The first step starts with defining what can be put on the forecast. This means management must define the qualifying process starting with your Differentiating Value (what separates you from the competition and makes you worth more). The next step is to set the bar for what has to be discussed (the critical qualifying questions or CQQ's) regarding prospect *motivation* for your product, *money*, decision *methodology* and *market* options – what we call *the 4 M's*. This approach solves two CRO challenges:

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1. You don't have reps operating with their own unique qualifying system that no one else understands.
2. The forecast process has a structured audit trial.

Next, Sales reps are responsible for qualifying each of the 4 M's (*motivation, money, methodology, market)* with every prospect opportunity. Based on acceptable prospect responses, the rep can claim 25% probability for each qualified M.

Forecasting vs. Poker

Most of our clients refer to these 4 cornerstone qualifying elements as the **Four ♣ Aces** for one obvious business reason. They don't want to keep investing (gambling) more time and money on sales campaigns where they have zero Aces (meaning little or no alignment) with what a prospect wants, needs, or can afford. As such, there are at least three similarities between poker and selling that are easily recognized.

The three similarities are:

1. There are no guaranteed outcomes—everything invested is at risk.
2. There is only one winner.
3. When you draw a bad hand in poker, the wise decision is to minimize your loss and fold. The same applies in sales, but if your sales reps don't know the reality of your position in the deal (as in how to qualify), they will **always** push to keep you in the game. I have lost count of the number of times I have heard reps say, "I don't know what our chances are for getting this business but I know what they are if we pull out."

Like in poker, #3 is the only one you can manage – the first two are simply rules of the game. That is why the Critical Qualifying Questions (CQQ's) are so important. CQQ's are not only the basis of our Bankable Forecast Process, they are also the roadmap for achieving both the shortest possible sales cycles and the lowest selling costs. Today's economy requires qualifying skills to know as soon as possible when an 'opportunity' is not an opportunity for the business. Any sales rep can stay in a deal to the dead end – the CQQ based forecast process is specifically designed to eliminate that behavior and the related costs.

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The Forecast Audit Trail

The reality of getting to Four ♣ Aces usually requires multiple prospect events depending on your sales cycle. During the Critical Qualifying Questions process, each Ace added to the forecast has an audit trail back to the prospect discussion (who, when, etc.) and the answers given. When sales management meets with a salesperson to review their forecast, two *drill-down questions* are always asked regarding each piece of business listed:

1) Explain how you obtained the Aces claimed on the forecast. *This becomes an audit review of the Critical Qualifying Question events for each Ace claimed regarding the specific prospect.*
2) What is your plan and schedule to qualify the remaining Aces with each prospect? *Let the sales rep explain how and when he/she will either move the prospect **up** or **out** based on the Critical Qualifying Question events the sales rep has remaining to complete.*

Summary

Forecast accuracy is the accountability objective built into the Bankable Forecast Process. Using the drill-down questions to audit the quality of the Aces claimed and to review the rep's plans for addressing the remaining Aces provides the Chief Revenue Officer with both an objective, prospect-based forecast process and a quality assessment of the rep's qualifying skills. The bottom line is the Chief Revenue Officer either gets a good forecast number or the rep gets a do-over assignment. Either way, forecast data only improves.

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Chief Revenue Officer (**CRO**):
noun. the person or position within any business whose responsibility (aka: butt on the line) it is to make certain revenue is generated to a) stay in business and meet monetary obligations, b) deliver profit, c) grow the company, d) meet and/or exceed financial needs for future growth—aliases include *President, CEO, COO, Owner, VP of Sales, VP of Business Development, Sales Manager, etc.*

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About the Author

Carl Moe is the author of "Sales Revenue System 2.0/Your Chief Revenue Officer B2B Success Model", a popular book that details the revenue system processes he implemented in his corporate executive roles. He is also founder of CRO Success LLC – a Minneapolis-based corporate resource specializing in restructuring business-to-business **revenue systems** for sustainable growth and optimized performance. CRO Success is both the name of the company and its mission statement.

Moe has decades of executive experience (President, COO, EVP and CRO roles) in technology-based global organizations and has conducted business in 14 countries outside North America. He holds a BSE and MBA from the University of Michigan in Ann Arbor. Carl can be reached at 952.232.6720 or cmoe@crosuccess.com

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