

Who Should Be Accountable for the Sales Pipeline: The VP of Sales or CEO/COO?

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Most tech companies hold the VP of sales uniquely accountable for overseeing sales revenues as well as the sales pipeline itself. But leaving this responsibility so completely in the hands of the head of sales can be, among other things, a cop-out for CEOs and COOs. For recent start-ups that have barely begun to establish a repeatable revenue stream, this omission can be virtually suicidal; for more mature companies, its implications can be drastic for their stock price (or valuation) because of the instability that weak pipelines and fluctuating close ratios tend to generate.

Among the common management assumptions that puzzles me is the convention according to which VPs of sales are given virtually exclusive control of the sales pipeline. Why, if this practice is so commonplace, should one question it? Well, for me it starts with the reality that the sales pipeline is in essence the kernel of the revenue generation process, which in turn is the principal component in the ‘market-to-sell’ super-process that, together with four other major business processes, forms the basis of any company’s business (*). And, like any business process, revenue management is essentially a cross-functional activity requiring careful coordination across functions, under the leadership of an executive who has actual authority across business functions. In most organizations there are only two possible roles that fit this description: the CEO, and – where applicable – the COO. To be fair, many tech companies have a head of field operations, with sales, services, and support reporting to them. This can in fact be a workable approach, provided that the executive in charge has the right business – as opposed to just sales – mentality. Overall, however, I would suggest that management of the critical inputs to the revenue generation process are much too important to leave exclusively to a functional executive such as the sales VP.

In order to ensure the most successful outcomes for the company, the CEO (or COO if such exists) should be an *active* partner with the VP of sales in all sales opportunities that are considered to be major account situations – the number of these, as well as the minimum value of each in terms of current potential deal value or overall lifetime relationship value, can vary according to the size of the company. What’s left over,

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which are by definition the medium and minor deals or relationships, can indeed be managed mainly within the sales function. My reasoning here is simple. Firstly, securities and industry analysts, as well as all interested investors, want to know how the company is doing with major customer deals, and in many cases a single major deal can make the difference between the company making its numbers or falling short – enough to significantly damage the stock price or valuation markets within minutes after earnings (pre-) announcements. How the company manages major deals and relationships is indicative of its ability to deal with the most important swing factors in its business, as well as its overall relationship with its direct markets.

If, as occurs today, disappointing news regarding major deals only hits late in the quarter, the CEO, COO, and CFO are forced into damage-control mode as a reaction to the bad news. Secondly, if major customer situations are well handled, it tends to influence how all others will be managed. And, in those cases where this is not the case, the entire revenue management process should probably be handled outside the sales department, and/or the tenure of the sales VP should really come up for review. At least in these cases, the key executives are less likely to be blindsided by late-breaking bad news, so they should be able to fix the problem while still in a position to change results for the better.

Lest we confuse the revenue generation process with what many sales executives term the ‘sales process,’ I would argue that the latter is more appropriate to the specific subprocesses of selling, and managing the selling activity and should indeed be the ‘exclusive’ province of the senior sales executive. Included in this sub-process are the selling approach mandated by the company’s go-to-market strategy, plus such important tasks as hiring and training of sales reps and first-line managers, identifying and qualifying key sales opportunities, managing the sales cycle in detail, account planning and review, relationship management, and resource negotiations with other functional areas in the company to support specific sales campaigns. What’s left over is the authorized and proactive coordination of resources from across the company, as they are required for specific contributions to each individual sales cycle.

Let’s go back to the prevailing structure in most companies and see what doesn’t work. With a VP of sales in exclusive control of the sales pipeline, but not in control of all the resources required to make quota, they are often obliged to cut corners in order to obtain resources from other departments and, as a result, they resort to gaming the system. For example, what tends to happen in many companies where sales is 100% in charge of the pipeline is that resources are committed to sales situations without due consultation, SE’s and/or engineers are drafted urgently to produce custom demos for key customers, proposals are sent to customers quoting service resources and fees not necessarily cleared ahead of time with professional services management. Other ‘abuses’ include discounts in license fees and consulting services that are offered without due cross-functional review, resulting in professional services not being able to meet their revenue or profit commitments; even maintenance contracts can be significantly affected if the discounts

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are by chance applied to them, resulting in unprofitable support and upgrade activities, all made in the name of helping the firm to make its all-important revenue numbers. Among the more well-managed firms this type of uncoordinated approach is less prevalent, but in my experience of the past decade with major technology companies as well as start-ups, I have seen less than 10% that manage these critical activities in a minimally acceptable manner, according to what I learned in my days at IBM.

Unfortunately, these antics often remain in place for long periods of time in a given management regime. Until, that is, something goes badly wrong with the quarterly sales numbers, when the CFO, then the CEO, and other executives step up their second-guessing and, then, intervene. At which point, any sales VP worth their salt puts two and two together and either waits to be severely censured, or takes control of their own destiny by resigning. I'm saying this despite the fact that most self-respecting sales executives expect and even demand this responsibility, possibly as an attempt to stamp their authority on the organization. In fact, I imagine that many of today's sales executives would be shocked to have to share the management of the sales pipeline. All because, I believe, the sales (or revenue) process – and the management of it – is mistakenly equated with the 'sales function' (which should indeed be the province of the VP of sales).

It can, and often does, get worse: I am convinced that this same mistaken convention gives rise to the vicious cycle in which heads of sales can never be true members of the 'inner circle' in a company, because under this system they are among the most dispensable, i.e., 'fire-able,' members of any tech-company executive team. In some case, it is clear that this convention provides a convenient scapegoat for ritual sacrifice, keeping the CEO and/or COO at one remove from a similar fate, whenever sales results are sufficiently disappointing. Thus, on average, sales VPs have a survivability of less than 18 months in the job. This vicious cycle, which I believe is one of the more unfortunate management rituals in the tech industry, represents to my mind a key execution barrier that explains why so many companies never hit their stride, or never manage to maintain any level of stability in sales performance. To my enduring astonishment, many VPs of Sales actually find this ritual to be an acceptable thing to live with in their careers, and many of them end up performing it in as many as four or five different companies in as few as 10 years or so. In fact, because some of them are renegades, they often shun job stability in favor of being able to jump to new opportunities when the winds change. Lest I unintentionally convey an unfair impression here, let me add many of the sales executives I know in the business are high-quality managers who perform heroics on a daily basis in coordinating pieces of a cross-functional process over which by definition they have limited control or influence. Some of them seem to thrive on the resulting stress caused by this mismatch, but many suffer from it.

Back to the issue of distinguishing between managing the 'sales (or revenue generation) process' and managing the selling function. The fact is that effective management of

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revenue generation, like any business process, requires such painstaking cross-functional coordination that no single functional executive – as the head of sales is – can possibly be held exclusively accountable for its success or failure. And, what is the ‘sales pipeline,’ if not a formal report detailing the expected amounts and expected close dates of qualified sales opportunities that are at various stages in the funnel. If this isn’t a precious corporate ‘asset’ to be tightly stewarded by the CEO or COO, with the CFO’s active support, I don’t know what is. This, to my mind, is the biggest reason for the repeated failure of the revenue generation process in most companies. How can this critical process possibly succeed if the VP of sales is invited to treat it as their exclusive preserve, and almost inevitably provides information mainly composed of trailing indicators, i.e., potential deals already qualified, resources already committed, proposals already sent, deals already won or lost, often without any objective postmortems, to which other executives (including the CEO, COO and CFO) can only react after the fact?

Wouldn’t it be much better if the CEO (or COO, where there is one) took responsibility for managing the sales process – and its key ongoing report output, the sales pipeline – so that deals can be qualified according to corporate (as opposed to sales department) criteria, resources can be allocated to the right deals, business proposals can be vetted across all the participating functional groups (sales, consulting/implementation services, R&D/engineering, product and field/industry marketing, tech support, and finance) on a proactive basis?

Balancing the Already-Overburdened Workload of CEOs and COOs

Of course, one can easily argue that CEOs and COOs today already have way too much on their plates, in what in many cases has become a 24x7 job, without having to consider an additional, full focus responsibility such as this. But who’s to say that they are spending their time on all the right priorities? For example, I would argue that much of a typical CEO’s current workload can in fact be well handled by one of those smart-as-a-whippet executive assistants (usually fast-track youngsters with executive potential of their own) who can sub for them in many internal meetings and even in some customer calls. Furthermore, as soon as a CEO finds themselves overloaded even with an executive assistant, they should either hire a COO and let them manage the cross-functional aspects of sales operations (often the worldwide head of field operations fulfils this kind of role), or ask the CFO to support them in this responsibility. Perhaps spending less time reporting to board members and investors and more time in front of customers, as well as sticking very close to specific major account sales situations, can set the right tone for revenue growth, independent of the economic environment. I would go further to say that CEOs should be *especially* accountable for sales in a down market. In other words, I would assert that directly driving the revenue process is a ‘core’ priority for any CEO (or COO if there is one) today.

Where this Leaves the VP of Sales

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What's left for VPs of sales to do? Well, directly under their span of control there is the continuous task of increasing the effectiveness of their sales people, coaching their first line managers (where applicable), recruiting new sales people, and leveraging cross-functional collaboration with the other functions in the company. In relation to external focus, VPs of sales need to spend much more time with prospects and customers as well as with their sales teams. Only, instead of being drawn into making diving catches to close deals or into doing damage control as a matter of routine, I would suggest they should be more proactive in helping their sales reps gain access to C level executives, accompanying them on opening calls, conducting major account strategy sessions, and so on.

Therefore, the modus operandi that I recommend for companies to adopt is as follows:

- The CEO or COO drives the revenue process, in particular major new deals and major account relationships; the VP of sales drives the sales (sub) process and negotiates resources from the rest of the company based on the quality and results achieved in their major accounts pipeline over time.
- The CEO/COO and/or VP of Sales (based on agreed modus operandi) ensures that every major situation is reviewed at the key (a) qualification, (b) pre-proposal, (c) contract, (d) implementation and (e) post-implementation stages. This can be done in a combination of weekly e-staff meetings and account-specific reviews.

Above all, this simple method is likely to ensure that the executive team remains in a position to act proactively based on the leading indicators it sees regularly, as opposed to having to react ex post facto to the trailing indicators that most pipeline reports represent today.

(Based on published theories on business process management, in most orthodox 'industrial' companies the four other major business processes alongside the 'market-to-sell' process are: (i) 'idea-to-product', (ii) 'quote-to-cash', (iii) 'forecast-to-delivery', and (iv) 'issue-to-resolution', or some variation on these same themes. There are also several business-supporting processes, in financial management, people management, resource management, as well as a plethora of sub-processes for business management (strategic planning, budgeting and forecasting, and so on).*