

Accomplish Firm Growth Goals Using a Pipeline Report

By Lisa Rhatigan

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So far you've done everything right. You set an aggressive growth goal, determined a budget for business development and put together a plan. You've communicated the plan to your team and explained their roles in it. Suddenly, you realize you are half way through the year, and you have no idea whether you'll meet your goals. How can you assess the situation?

The best answer may be developing and using a sales pipeline report that can help you track your progress and build accountability into your business development process.

Pipeline reports track whether: (1) you have enough activity, (2) your marketing efforts are focused on the right activities, (3) potential sales opportunities are being moved through the sales cycle, and (4) your close rate on proposals is high or low.

Depending on how your firm is organized for growth, the sales pipeline can be used firmwide, within a business unit or niche team, by individuals, or in some combination of the above. You can begin using a pipeline report at any point in the year; the key is using it consistently once the process is initiated.

Monitoring the sales pipeline is an effective way to keep your firm on track to reach your annual growth goals. While some CPA firms understand the importance of measuring the amount of new business opportunity in their sales pipeline, some are simply scared off by the word "sales," while others lack a process for effectively using their pipeline to reach their growth goals.

Creating a pipeline report

Creating a pipeline report doesn't have to involve a complicated reporting system. In fact, an Excel spreadsheet with a variety of "sorts" is most effective. Your partners and staff are familiar with Excel

and won't have to learn a new system, increasing their chance of actually using the report. The following is an illustration of a simple, yet effective pipeline report.

The illustration shows the information you should track for each sales opportunity. Let's take a closer look at the important sections of a pipeline report.

Lead originator. The amount of new business opportunities each lead originator is bringing to the firm should be monitored by the firm's sales manager or business development team leader so that the effectiveness of their business development efforts (*i.e.*, the return on investment (ROI) on the time they spend in business development activities) can be measured. Anyone in the firm can be a lead originator, and the leads may come to the firm through referrals, existing relationships, prospecting or other business development activities. Lead originators may also bring opportunities to the firm simply by being well positioned in the community or industry they serve.

Working lead. The person who leads the follow-up activity for each opportunity may or may not be the same person who originated the lead. It should be the person with the best skills and aptitude to move the opportunity through the sales cycle. The lead sales person should be focused on the industry of the target company and/or have the service expertise that matches the target company's initial need.

Horwath Orenstein LLP, an accounting firm in Toronto, Ontario, Canada with 12 partners, recently implemented their first pipeline reporting system. They refer to their lead sales people as "demand creators" and feel the pipeline report is a key tool to holding demand creators accountable.

"Our pipeline reporting system has helped us set realistic goals for demand creators instead of just crossing our fingers," says Paul Dunnett, Executive Partner at Horwath Orenstein. "Demand creators appreciate the attention being paid to them, even though the pipeline tracking system is adding pressure as well."

Client/Prospect. The pipeline report should be used to monitor sales to

both existing and prospective clients, since there may be as much as much opportunity for growth within the existing client base as there is with new client relationships. Measurement and accountability are necessary to make sure you are being proactive about pursuing new projects with your existing clients. If you're not proactively meeting the needs of all your clients, you are leaving them vulnerable to your competitors attempting to serve their needs.

Business Unit or Niche. It is helpful to know what industry niche or business unit the potential new work will be associated with so you can track how you're doing to reach your growth goals for each area.

Service. This information can be helpful during discussions of the pipeline report to determine who can help with sales efforts, along with tracking whether you're working a balance of opportunities for annuity work, as well as one-time projects.

Amount and probability of close. Don't let difficulty in estimating the fee cause you to not use the report --the amount you enter should just be a ballpark estimate of what the prospect or client might need, based on initial thoughts or conversations. The amount goes into the "idea" column if you haven't had any conversations with the target, yet but think there is a potential opportunity. It goes into the "made contact" column if you've started conversations and plan to follow-up. If the client/prospect is interested and has asked for a fee estimate or a formal proposal, it goes into the "proposal" column

As a general rule, the probability shouldn't be any higher than 10 percent at the idea stage; somewhere between 25-75 percent after one or more conversations, when you have a better feel for the probability that this will eventually result in an engagement; and 50 percent or higher once a proposal or fee is submitted.

The pipeline amount is calculated by multiplying the value of the engagement by the probability of close. As you move opportunities from the idea phase to proposal, which increases the probability of closing, the pipeline amount will increase.

Using the pipeline report

It's important that your firm's sales manager or business development manager use the pipeline report at monthly sales meetings. The team should spend time reviewing actual results, the pipeline report and business development activities.

Sax Macy Fromm & Co., P.C., a Clifton, N.J.-based firm with 20 principals, has been effectively using their pipeline report for the last six months. They have noticed changes in their team since implementing the system. "Individuals are now documenting progress on a day-to-day basis," says Ralph. S. Heiman, Managing Principal of the firm. "The fact individuals are including their information in the pipeline report means they are willing to be held accountable. They recognize they have a goal and are committed to achieving that goal."

Steve Titzer, President of Harding, Shymanski & Company, P.S.C., agrees. The accounting firm, headquartered in Evansville, Ind. with 15 Vice Presidents, implemented a pipeline report approximately one year ago. The firm found that the system has aided in keeping marketing activities moving forward.

"Before implementing the pipeline report, it seemed like our business development team would talk about the same activities at every monthly meeting," recalls Titzer. "This tool takes all the guesswork out of holding people accountable for progressing a lead to the next phase. It's right there in black and white."

As both Heiman and Titzer noted, the pipeline report is an effective tool to lead discussions about activities and a way to hold everyone accountable for business development. Whomever is leading the business development effort should ask the following questions using the pipeline report to guide discussion:

I Is there enough in the pipeline? In order to have a reasonably good chance of meeting your growth goal, your firm should target to have the equivalent of your annual growth goal in the pipeline on an ongoing basis. When you're first starting out with the report, it can take up to six months to ramp-up, but your ongoing target should be the equivalent of your annual growth goal.

I Are we working the client and prospect opportunities? When you set your growth goals, you should have some idea of how much of your growth opportunity is with existing clients, and how much needs to come from acquiring new clients; the more specific your growth goals are, the better chance you have of reaching them. Sort your pipeline report by client versus prospect opportunities and assess how you're doing versus each goal. This will help you determine if have the right mix of marketing activities. If you don't, it will illustrate whether you need to engage in more prospecting activity (asking for referrals,

networking with industry groups, doing direct marketing, *etc.*) or focus your people more on getting in front of clients and having conversations about future opportunities.

I Are we moving opportunities from the idea stage to proposal? At each monthly review of the report, a big part of the focus should be on whether the opportunities listed on the report have moved on to the next column. If the same items are sitting in the idea column for more than three months, you probably aren't working the sales cycle.

I The pipeline report can be a useful tool to help guide people decide how to spend their business development time. For example, someone who has 30 minutes one day to devote to business development could pull out the report and figure out who to call to advance a sales opportunity through the sales cycle.

"The pipeline report causes us to talk in terms of results," says Titzer. "It's still important to talk about activity but the pipeline helps me, as the sales manager, ensure the activities are progressing from one stage to the next."

I Is our close rate on proposals sufficient? As you review the pipeline report each month, you'll start to get a feel for how many of your opportunities that reach the proposal stage become closed new business. A good target is closing at least half of these opportunities. You can even add columns for closed work and lost work and track it on the same report. Once something closes, whether won or lost, it should be removed from the pipeline.

Tying the pipeline report back to individual/team/firm's goals

Sax Macy Fromm uses their pipeline report to track the firm's progress on many different levels. "The pipeline report is useful because it allows us to tack growth activities by partner, by niche, by recurring work and by special projects," says Heiman. "It also allows us to track new client activities vs. existing client activities and is a constant reminder of where we need to add more activity."

Using the different fields in the report, you can sort and sub-total in a variety of ways to determine your progress towards business development goals:

I *Sort by "lead originator"*: This sort will indicate how much new business opportunity each lead originator is generating for the firm, as well as where the leads are coming from.

I *Sort by "working lead"*: This sort will tell you who is following up on

sales opportunities.

I Sort by "*business unit or industry niche*": If you've set separate goals for departments or teams, you can use this sort for each group to evaluate how they're tracking towards meeting their goal.

Using the pipeline to understand your firm's sales cycle (and make necessary adjustments)

Over time, the pipeline report will provide a good indication of how long your firm's sales cycle is. Use the first entered date for sales opportunities, and compare to when items are "closed." If the sales cycle seems too long, the reason could be a lack of follow-up and focus to keep items moving through the sales cycle. It's not unusual to experience sales cycles in the 6-12 month range, but being aware of how long items have been on the pipeline report can help bring visibility to sales opportunities that are languishing.

The pipeline report helped Heiman and his business development team better understand their firm's sales cycle. "Documenting the timeframe from initial contact to close helps us understand our sales cycle, especially the number of contacts we need to make to have one close. Sales cycles can be rather long, and the report has really educated us on the amount of work that needs to be in the pipeline to achieve our goal."

A simple, yet powerful tool

Pipeline reporting is becoming a hot topic in the accounting industry, and for good reason. It's a straightforward, effective tool to help you track activity, hold your team accountable and ultimately help you reach your annual growth goals.

With one year of pipeline report implementation under their belt, Harding, Shymanski & Company is confident the report is helping to keep their business development activities on track. "It's the most effective way we have to measure the quality of our business development activities," notes Titzer.

It will likely take awhile to get your team familiar and accustomed to using the pipeline report. But it shouldn't take long to start seeing some of the benefits.