The CEO Challenge for May 2009

"I have people who handle marketing and sales. What's a Chief Revenue Officer and do I really need one?"

You have a sales team and a marketing director, but they're in constant combat. Your revenue growth is flat. Margins are shrinking. And whether you realize it or not, you're drastically overpaying for results. It's a common problem, but the companies who solve it can remove 10-15 points of cost while driving their top line to generate predictable results.

How can you solve this problem? By becoming a Chief Revenue Officer, or CRO. No, you don't necessarily need to hire a CRO – you just need to add "CRO Thinking" to your own job description and "act like a CRO."

WHAT'S A CHIEF REVENUE OFFICER?

The best way to think about a CRO and CRO Thinking is to look at roles we already know. For example, almost every company that achieves success uses "**Chief Financial Officer Thinking**" to address strategic issues like raising capital and exit strategy. They may not have a full-time CFO, but they're using CFO Thinking to fuel their business for future growth.

The next thing they do is to apply "**Controller Thinking**" by saying, okay, we know where we're going financially. Now what kind of software do we need, what kind of reports, how do we comply with our bank and investors -- questions that make the financial strategy work. Then they hire people for payroll, receivables and so on.

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It's very different on the revenue side. After the business plan, most companies – 99% -- just go out and hire salespeople and a marketing person and get to work. Surprisingly, there's very little focus on revenue strategy like the CFO's strategic thinking about finance. Just as you need CFO Thinking, you need **CRO Thinking** that says "What does our revenue strategy look like in order to accomplish the corporate strategy?"

Here's a simple example. Let's say your corporate strategy is to generate $40 million in revenue this year. A revenue strategy might say you need $45 million because Murphy always shows up. A CRO also needs to articulate a clear vision of that $45 million strategy, including the markets and niches to strategically dominate and the particular offers to sell into those niches.

Armed with a revenue strategy, you can apply Controller Thinking to create the structure to support it. You might say, okay, how much of the $45 million will come through channels? How much is direct sales? What kind of marketing programs will we need to fill the pipeline? How full does the pipeline need to be? Are we filling our direct pipeline or our channel partners' pipeline? What metrics will we use to make sure everything works?

As you can see, there's a structural level to build. With it, the sales team and the marketing person have a high probability of success because they're aligned with the overall corporate strategy and the overall revenue strategy. When you act like a CRO and use CRO Thinking, you can proactively generate predictable revenue that delivers on your corporate strategy.

WHAT'S THE DANGER OF NOT ACTING LIKE A CRO?

Every company I've seen in the last 20 years is drastically overpaying for revenue because there's no common strategy or alignment. Sales and marketing don't get along. Engineering doesn't like sales. Finance is sick of sales telling them to cut prices. Instead of working toward the same goal, everyone is going in different directions. Sales cycles are way too long, there's tremendous conflict, and every bit of it costs dearly.

Here's a scenario I see every day. When salespeople aren't clear on your revenue strategy, the markets and niches you want to dominate, and the offers you will sell into those niches, they make it up themselves. So if you have 10 or 20 salespeople who view your business slightly differently, and they each see two customers a day, you'll have 20 or 40 different definitions of what you're trying to sell to the market each single day. And since salespeople are paid for deals, they're going to do everything they can to bring in every deal rather than focusing on good, profitable deals with long-term strategic value for the company.

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This conflict makes it much harder for salespeople to succeed. As a result, you're funding chaos and high costs.

THE CEO IS THE CRO

As CEO, you're as responsible for making sure that CRO Thinking is occurring as you are for CFO Thinking, CIO Thinking, and COO Thinking. Huge organizations typically have somebody sitting at the CEO's table earning $300-$700,000 a year to align the revenue strategy and revenue investments with the corporate strategy.

Midsize and smaller companies can't afford somebody that costs that kind of money, and you actually only need them for 1-10 days per month. You can bring in a part-time CRO just like people bring in CPAs or part-time CFOs. Or you can incorporate the CRO role into your own job description, because as the CEO, it's your job to make sure that thinking is there. Otherwise, you'll have a huge hole in your plan.

THE SOLUTION

The pain is clear, so now I'll take you through five steps to help you act like a CRO.

Five ways to act like a CRO

1. Start with CRO Thinking to create a revenue strategy and short-term plan.

Where do you want to be in three years and what you need to do this year to move toward that goal? What niches do you want to dominate and what will you sell to create profitable revenue growth? Think about the infrastructure, the funding, the people you'll need. Then look at the next 90-120 days and create a short-term executable plan that you will constantly test and manage.

What do I mean by testing? Well, it's essential to recognize that every business is **always** in transition, so the plan you drew up last November may need to change even a few months later. After all, your competition grows every day, technology changes, tactics evolve. So you need to constantly execute each 90-120 day plan, review it against your strategy, and shift as necessary.

2. Understand how to create and manage offers.

Your revenue strategy defines the niches you plan to dominate and what you're going to sell. You'll also need to decide how many offers your company can handle. And we sometimes see small companies --

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under $15 million – trying to sell 10 or 15 or 25 things at the same time. No salesperson can sell that variety unless they're in a retail store ringing up orders at the register.

A CRO needs to define what the company will sell in order to dominate the most profitable niche. That usually means focusing on fewer offers, not more. You then need to align the company around those strategic offers.

3. You have nothing to sell until it's messaged for the buyer.

You know who you are and what you do, so naturally you'll talk about everything from your own frame of reference. But when you're communicating with the market, you need to think about the buyer's frame of reference.

This is one of the biggest problems in any company – messaging. Instead of using your own words, you need to communicate in the buyer's terms so that your message is compelling, interesting and meaningful. There's a science in messaging, and every company should understand and implement that science. As the CRO, you need to address your messaging today – it is a critical revenue issue.

4. Have a revenue roadmap.

Most likely, your population of prospects is infinitely greater than your resources to attack the market. And like a supply chain, there are a series of steps in the production of revenue. To start, you need to create marketing programs to pull in the right prospects and massage them through a series of steps in your sales cycle. You need to be constantly surfacing prospects who are hot right now, get them into sales, and move them through a very specific roadmap that optimizes the sales cycle for your company and your buyers.

As the CRO, you need to make sure that roadmap is in place and that sales and marketing are working together to guide prospects and create profitable, predictable revenue.

5. Manage your organization around the Stage 5 Model.

Now it's time to become more efficient. As the CRO, you should be leading your organization to constantly improve your corporate alignment, your metrics, and your team's skills. With this improvement, you'll become more and more efficient.

Interestingly, as you get more efficient, it costs you less money for better results. Your customers also become much more loyal because they're clearer about who you are and the value you bring.

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MEASURING YOUR SUCCESS

To evaluate your success, you'll need metrics. For example, I often talk about A) cost per sales hour and B) the number of hours sales people actually sell each week. If you, as a CEO, are really acting like a CRO, you're going to constantly challenge your organization to examine and improve those metrics. You'll be saying, "If we're only selling 2 hours a week how can we get to 3? To 4 or 5? In two years, can we get to 10?" And then you'll measure whether that activity is actually happening.

Another great metric: Is your pipeline always at the right number? For example, if you need 100 new properly qualified prospects each month, are they there? You should also look at how quickly you're moving prospects through the pipeline -- how fast can you qualify and close? There are many metrics you can use – the key is to start now.

WHY YOU NEED TO ACT LIKE A CRO NOW

The world is changing so fast that we don't know we're in trouble until it's almost too late. And we need to treat our businesses as a doctor treats a patient – fix something now before it kills us. For example, a CEO may say, "We're growing 10-12% a year, we're doing great!" But yet the market is growing at 18%, so they're not gaining, they're losing ground as their competition gets larger and their margins are shrinking. If they wait until they just can't change, many times it's too late.

If you look at the income statement for most companies, when you add up all the costs, the biggest item is the production of revenue. And in many companies, it isn't just the largest; it's larger than everything else on the income statement put together.

If you have two companies and one of them gets this under control and the other doesn't, the one that's got it under control is probably taking 10-15 points of cost out of their business. Who's going to win? So start now.

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