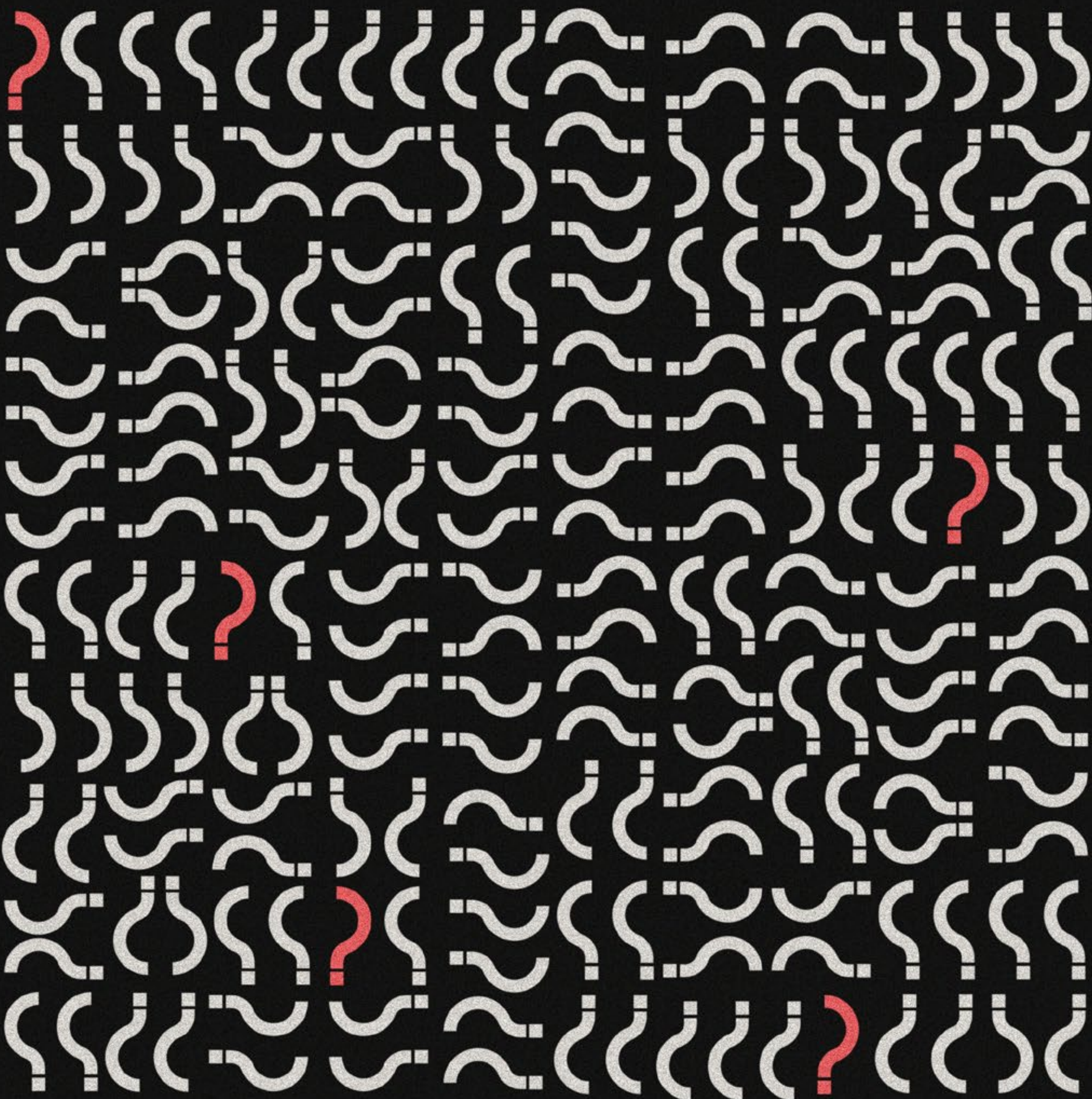
Five questions investors should ask their portfolios

Supercharge the growth of your investment portfolio's, essential reading for business investors.



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Companies of all kinds, shapes and sizes get their money from an array of sources.

The net margin they make on sales of goods and services is the most obvious source. Another is speculative buyers of their stock if they are listed on an exchange with openly traded shares and are – at a given moment – attractive, by a variety of objective (or not-so-objective) measures. And then there are the investors: anything from business angels and crowdfunders for the small entrepreneurial punt; right up to consortia of sovereign wealth funds and large financial institutions.

For many companies whose place in the corporate trajectory is somewhere in between those extremes, the answer will be venture capital and private equity funds and those organisations who broker and consult access to those investors.

Something we've observed recently is that people in this latter group have more interest in taking an active part in protecting and growing their investment. They are alert not just to the financial indicators on dashboards that tell them how their returns are shaping up – they are actually peering into the way their investees do things, and trying to help wherever they can. Often (because so many people in question have accounting backgrounds) financial management is where the advice and guidance is most active.

But let's not overlook other important disciplines, especially the one that actually drives the first source of money-making: sales.

Well, that's a specialist skill too – and lately, the wiser sages in the investment community have been waking up to the fact that the best help they can give their portfolio after committing to a fresh round of financing is to specify that some of the money should be spent on sharpening their sales game.

In start-up land, and especially at the smaller, more entrepreneurial end of the spectrum, the founders are closely involved with the birth of – and deeply in love with – their innovative product, app or service offering. Often, all they can talk about are the features and the clever things they can do – whether anyone out there actually needs them or not. And as those companies grow, they hire finance directors, R&D heads, product people, marketing gurus – even HR and training managers. I wonder whether they think about sales as a discipline that needs structure, process and behavioural excellence. Often this revelation comes too late, when the first flush of easy sales to the top slice of early-adopters has been made. And then it gets harder.

What then, are the skills and methodologies for the day-to-day grind of setting sales targets and meeting them? The brighter corners of the investment community have started to wonder about this too, and to worry that failure to get these jigsaw pieces onto board might mean that they can never complete the puzzle.

And at the better-established, larger companies, obtaining fresh rounds of external finance or going through complex buy-outs, it's equally easy for their investors to ignore the obvious: we need to know how the company we've just invested in, and which we hope to exit profitably in three to five years, builds its customer base.

I've sat through countless all-parties meetings at buyout time, with bankers, accountants, VCs, lawyers, City PR agents and incoming management all talking about financial models, earn-outs, TUPE, IP protection and R&D investment. Few have ever asked whether the people here can actually sell, and if not, what help they need to get it right.

So wherever you sit in the investment community, if you really want to supercharge the return on the massive risk you've just taken with your own investors' money, you might want to ask the management of the companies in your portfolio, these five simple questions.

Do your sales people truly understand their customers?

That means, having people with the verbal skills to uncover problems or ambitions that their prospects might have, and fully explore what the impact is of not having a solution at hand. That requires consultative questioning and listening skill, to convert inchoate and vague dissatisfactions into a real intent to take action to meet a clearly identified need. Selling the product or service before the customer has articulated any of that (the most common trap for unskilled sellers) is fatal. The behavioural skill to lead the prospect on a gradual journey, of dawning realisation that they clearly and urgently need to buy what's on offer, is common among successful sellers. Those who don't have it are doomed to fail.

Do your sales team think that this wonderful new product will sell itself?

If so, they need to get away from the "talking website" stage (believe it or not, most prospects can actually read). They also need to dial down the excitement about their leading-edge innovation. Learn how effective sellers avoid this by reading our whitepaper. The skill is in communicating what aspects of the product or service can bring about identifiable (sometimes even quantifiable) improvements for the customer. To get to that stage, they need not only the investigative skills we dealt with in Question 1. They also need persuasive behaviours, to co-create a vision of what the better world for the customer – one where they are benefitting from the shiny new product or service on offer – would look like. Few are born with that skill, but all can learn it.

Do your sales team go to the top too quickly?

Anyone in a company you've invested in who excitedly tells you "I've secured a meeting with the CEO of our biggest target!" is almost certainly about to blow their (and your) biggest opportunity. Selling complex solutions is about understanding who can influence the decision, and who can supply the detail about current dissatisfactions required for a seller to build a persuasive case for solving them. A meeting at the top – before the grinding staff-work has been done to uncover needs and potential payoffs – will be ill-informed, ill-directed and probably abruptly ended by someone at C level who has better things to do with their time.

Is the sales pipeline information in the CRM actually fake news?

Presumably you as an investor are regularly looking at the major opportunities in their CRMs. But often the percentage likelihood and the deal size recorded there are works of romantic fiction. If people enter a more optimistic value than is justified by their actual progress, it can dislocate budgeting and forecasting all over the organization. Now that often happens unintentionally – simply by misreading what we would call a "Continuation" as an "Advance". In other words, upping the recorded win likelihood because a prospect asked for a proposal or invited a salesperson in for a cup of coffee. Recording an Advance (and hence an increase in CRM sales likelihood) is only justified if the seller's planned meeting objectives were met in full, and the prospect made a commitment of their own resource or action that would measurably move the sale forwards. Anything less, and the sales team need to learn to keep their hands off the forecast percentage field.

Do sales have a common language that extends to marketing?

Common sales language is present when every member of the pursuit team for a particular opportunity ascribes the same meaning and value to terms like Explicit Need, Benefit, Advance, Decision Guideline or Capability Objection. Without that, major opportunity pursuits can descend into chaos, with everyone having a different impression of what the prospect might want, which aspects of the offering might deliver that, what residual worries they have, and how to move the prospect around the Buying Cycle persuasively (and faster than the competitors can). And even if the salespeople are enjoying a sudden revelation about how to represent their offerings in terms of needs they can meet and value they can bring, they are too often undermined at every turn by marketing messages (online and off) that still use the vocabulary of Features.

It's simple maths really. Companies that sell more and at higher margins will return your investment faster and more surely. If the answers, when you ask them any of these questions, involve mumbling or shrugging, or people looking at their shoes, the chances are your investment might be in peril. That's when they might need persuading to get some outside help to keep your money nice and safe

About the author

David is Huthwaite's Director of Sales. He is a Fellow of both the Institute of Sales Management and of the Association of Professional Sales, sits on the Management Consultancies' Association Council and is former Chairman of the Chartered Institute of Public Relations MarComs group. He speaks all over the world, from conferences and exhibitions including World of Learning, SAMA, APMP and many international business organisations. He has also been on the judging panels for the National Sales Awards and the National Business Awards.

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