Why Companies Should Implement a Win/Loss Analysis Program

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Introduction

Over the last 15 years, a growing number of companies have been implementing formal win/loss analysis programs, often hiring independent, outside parties to conduct postdecision prospect interviews on behalf of all members of their sales teams.

The purpose of a formal win/loss analysis program is to gather competitive intelligence and aggregate feedback on a company's products/services and sales process, which can be used to improve a sales team's performance in the future. Therefore, this whitepaper is intended for anyone who is involved in managing a sales team, who is responsible for running a business that oversees a sales force, or who is part of a senior management team that is involved with and impacted by a sales organization. Product, marketing, and research managers will also find this whitepaper to be of value.

Over the last 15 years, a growing number of companies have been implementing formal win/loss analysis programs, often hiring independent, outside parties to conduct postdecision prospect interviews on behalf of members of their sales teams. By using an independent third party to conduct postdecision debriefs, sales teams and companies can learn the true, candid reasons they win and lose. Unfortunately, at present, less than 18 percent of companies have implemented a formal program, which means that a large number of companies are missing out on the immense benefits of this unique management tool.

This whitepaper will show why a formal win/loss analysis program can be a critical tool in helping a sales team increase its new business win rate and improve the strategic functioning of an organization. It will also show why it is critical for companies to gather and disseminate this type of feedback throughout the organization in order to help enhance their products, services, sales process, pricing, marketing, technology, and positioning strategy.

This whitepaper has four sections. First, we will explore the inherent challenges that typical companies face as sales teams turn inward to share their marketplace knowledge and win/loss prospect feedback. Second, we will explore the organizational challenges that arise as faulty prospect feedback circulates throughout a company, with each area putting its own unique spin on key issues and problems. Third, we will explore how this common organizational behavior often leads to strategic misalignment. Lastly, we will review the benefits of implementing a formal institutional win/loss program and we will show that for successful companies, a win/loss analysis program is not discretionary.

Let's begin by exploring the inherent organizational challenges that stem from relying solely on salespeople to capture and disseminate win/loss feedback.

The Challenges of Gathering Feedback without a Formal Mechanism

The first question a salesperson asks a prospect after losing in a new business situation is (quite understandably), "Why did I lose?" Unfortunately, the likelihood they'll get a straight answer back is slim at best. In fact, according to research, prospects share the complete truth only 40 percent of the time in these situations. This means on average, in 60 percent of new business situations, salespeople do not have a complete and accurate understanding of why they lost.

Listed below are some of the reasons prospects are typically not forthcoming and ways in which salespeople inhibit the feedback process:

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Reasons for Prospects Not Being Forthcoming and Candid

- Prospects often feel uncomfortable giving feedback and criticism directly to salespeople because they do not want to hurt their feelings.
- Prospects often fear confrontation or criticism from sales reps who can become defensive while receiving feedback.
- Prospects don't spend a lot of time with salespeople to give them bad news.
- Prospects often have issues with the sales rep or sales process that can impact their candor.
- The real reasons for loss may make the prospect look bad.

Ways in Which Sales Reps Inhibit the Feedback Process

There will always be inconsistency with how each sales team member approaches debriefing with prospects.

- Sales reps are not in an objective position to obtain feedback.
- Sales reps may be caught off guard by a bad news call and therefore, are often unprepared for conducting a debrief.
- Sales reps usually do not know the right questions to ask (and how to ask them) because most sales professionals have historically overlooked and poorly utilized prospect debriefs.
- Sales reps typically do not debrief with bids won prospects to better understand why they won (and what they can do better).
- It can be very difficult to ascertain the true reasons for loss if the sales person is not selling directly to the decision maker.
- When salespeople sell through intermediaries, channels, or partners, it can often be difficult to have direct contact with the end prospect and gather any meaningful postdecision feedback.

The issues listed above are challenging for anyone who is leading a sales team or running a company. Not only do sales teams and sales managers face all the individual challenges outlined above, but they also need to deal with all the inconsistency inherent in letting each sales team member debrief in his or her own unique way. Just as some salespeople have a higher close rate than others, some salespeople will be better at debriefing with prospects than others. This consistency issue causes problems when a sales team and company try to assess their aggregate strengths and weaknesses.

This is the first set of challenges that many organizations face when assessing their competitive positioning. However, all of the above issues are exacerbated when fragmented and often faulty prospect feedback is sporadically spread throughout a larger organization. Because sales teams typically do not have a full, unbiased understanding of why they win and lose, they often unknowingly disseminate incomplete or inaccurate information within their organizations. Since 60 percent of the time, salespeople do not get an accurate depiction of why they lose, it would stand to reason that prospect information being circulated around most companies is inexact the majority of the time. This often misleads other departments and can compromise decision making.

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Compounding this problem is the fact that salespeople are typically less likely to pass on critical feedback regarding their own performance during the sales process. Most salespeople will not say, “The reason we lost is because I could have done a better job at selling”. Salespeople will not typically blame themselves for lost deals. As shown above, most prospects will not criticize the salesperson directly; therefore, salespeople understate their own deficiencies because they are often unaware of them. Feedback can easily become more focused on other areas of the company (such as pricing, product features, branding, and so on) and may not reflect an accurate proportioning of the true issues.

Salespeople are out with customers and prospects all the time; they do tend to develop a keen sense of what is going on in the marketplace, and they are often the first to hear about new enhancements being made by the competition. Depending on a company’s organizational structure, it may be the sales team’s job to educate the rest of the company on what is going on in the marketplace, because sales is often in the best position to identify new trends. However, in many companies, this information is primarily stored inside the salesperson’s head. Salespeople possess a wealth of information, but companies don’t often take the steps necessary to exploit the full extent of their knowledge (and salespeople don’t always provide all of the details because their job is to keep selling).

Additionally, depending on the average tenure of each salesperson on a sales team, each individual salesperson may have varying degrees of knowledge about a wide range of industry and product subjects. The challenge becomes how to funnel this information to other areas of the company that need direct access to it. Factoring in that salespeople get paid to sell, not to educate the rest of the company on what is going on in the marketplace, it is easy to see how barriers get created. Also, many salespeople get desensitized to the fact that they may know a lot more than the rest of the company and assume that everyone knows what they know.

Another strategic challenge of relying on individual salespeople for competitive intelligence is that there may be broader trends that a salesperson cannot discern individually. Take for example a large organization that competes with a leading competitor many times throughout the year. If this competitor has recently instituted a more competitive pricing model, it could be assumed that the salespeople would pick up on it. The problem is that if there are many salespeople and each has witnessed the new pricing only once, they might have thought the pricing was an anomaly. However, this information in aggregate would clearly outline a trend and enable the company to better position itself against this competitor.

The most efficient and effective way to ensure that deficiencies exposed in the field are shared throughout the organization is through independent and comprehensive verification. In effect, a thorough win/loss analysis program managed by an outside third party provides a means for getting prospect information out of salespeople's heads and to the rest of the organization. (It also allows salespeople to do what they do best: generate sales.)

Now that we have explored the organizational challenges of using salespeople as a starting point for information gathering, let's address how this process often sets off a chain reaction that limits information sharing and hinders learning and sound decision making across different areas of a company.

Organizational Challenges of Prospect Feedback Information Sharing

As faulty prospect feedback and information spread throughout companies, it ultimately corrupts decision making. Over time, senior managers start making decisions based on inaccurate information derived from prospects who were not fully candid and salespeople who are not in a truly objective position to share unbiased information.

As a starting point, let's explore how prospect and sales information typically gets passed up the chain of command in most organizations. First, the prospect tells the salesperson why the deal was won or lost. The salesperson then tells her regional sales manager. The sales manager then tells the head of sales, and the head of sales might aggregate this information and relay it to the executive management team. Although information sharing is not this rigid in all companies, there is generally a hierarchy through which information travels.

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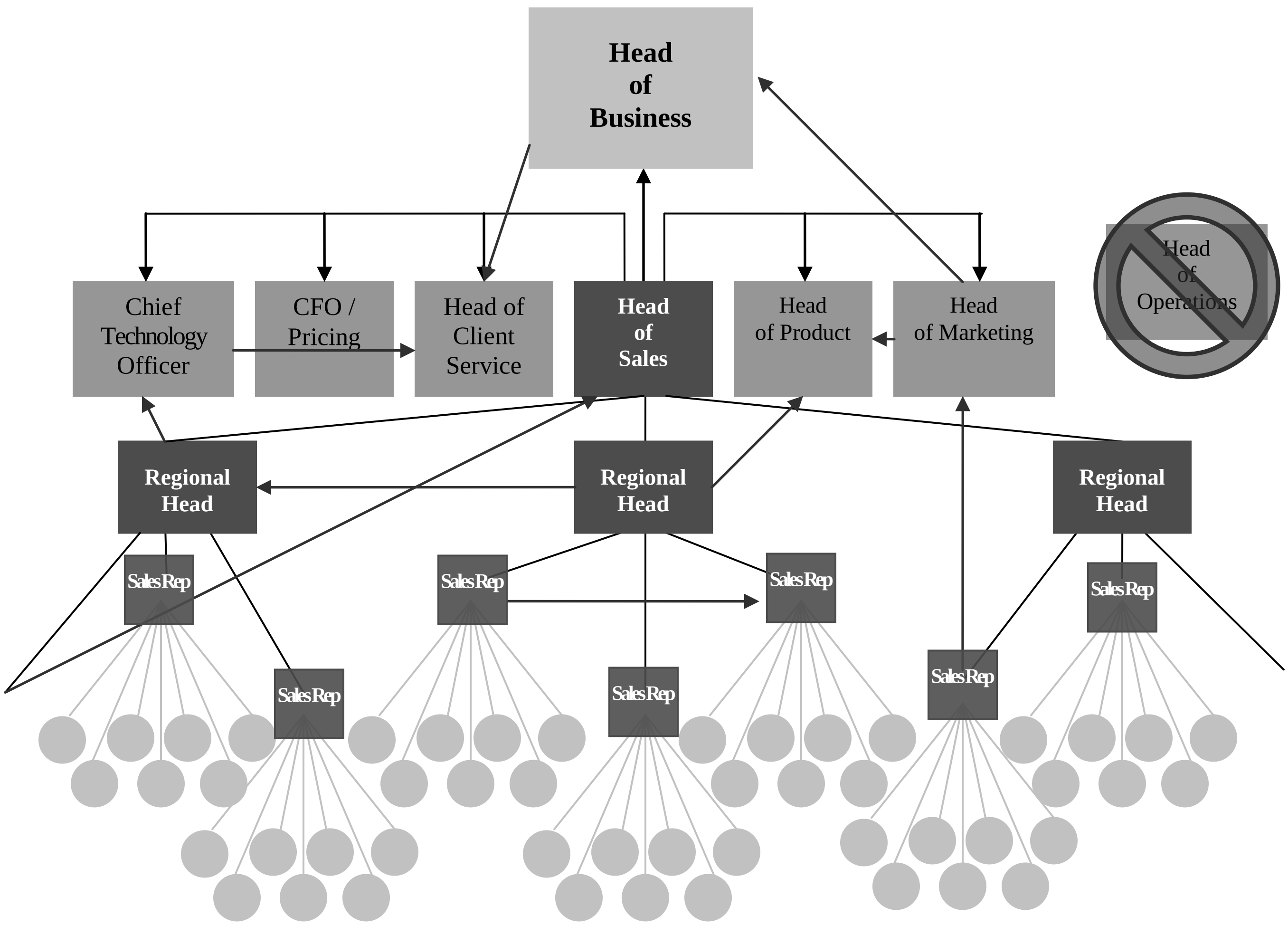
As shown in Figure 1, information typically spreads in sporadic ways. A salesperson may relay information to her regional sales head, or she may bump into the head of marketing in the hallway and discuss some information. There is usually no clear process for capturing and relaying this information company-wide. Additionally, as new people hear and digest the information, they inadvertently incorporate their own biases and experience levels into the feedback, thereby putting their own unique spins on the message, and so with each new person, the story changes. Additionally, some areas of the company may not receive any feedback (in Figure 1, for example, that area would be operations).

Fig. 1: Internal Information Path



This type of communication pattern is analogous to the telephone whisper game often played by children. By the time any prospect feedback makes its way around a company, the message is watered down and most likely quite different from what the prospect originally said. The inefficiency of this model is especially pronounced in companies with larger sales teams where information paths inevitably get longer and harder to maintain. Since information is power, corporate politics and bureaucracy can also play a role in hindering the flow of information through a company.

Given that companies are already starting at a disadvantage because prospects tell salespeople the full and candid truth only 40 percent of the time, and adding in the further complexity that information is being gathered and shared by numerous salespeople, each with his or her own individual biases (and experience levels with respect to debriefing with prospects), it is easy to see how organizations often make decisions on much more limited information than they'd like to admit.

Hierarchical factors can also inhibit the flow of information (especially up to a company's senior management team), as not all employees feel comfortable discussing and debating problems with senior management. Therefore, information (especially negative and problem information) does not always get shared with company leaders. Many employees are more worried about the leader's opinion and may be selective in their information sharing and feedback about what needs to be done at the company. Some employees concern themselves only with making sure they are pleasing the leader as opposed to developing and voicing their own opinions.

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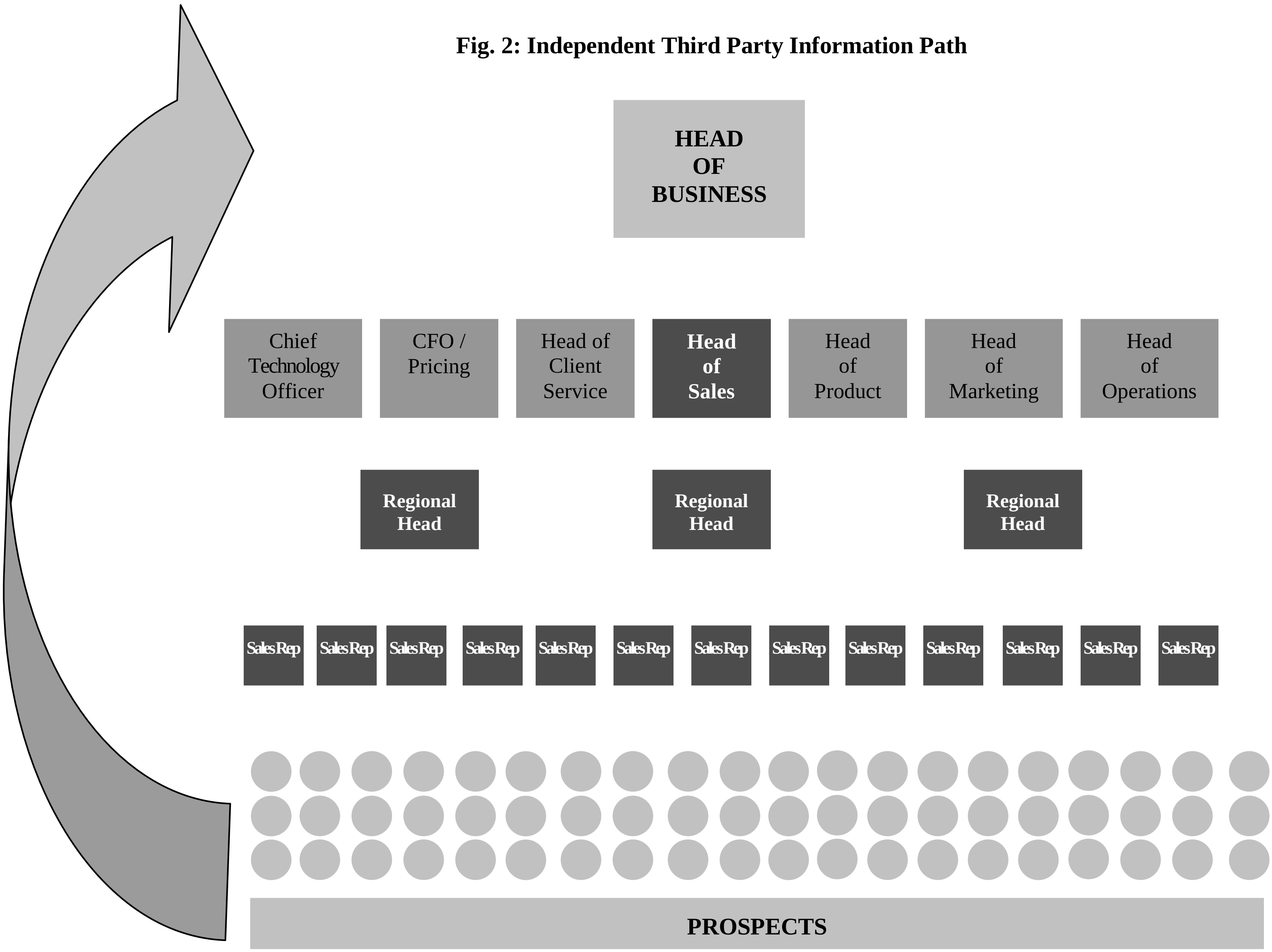
This issue compounds when companies have a leader who is not accepting of others' opinions. Some companies have self-absorbed or tyrannical leaders, and in these cases, it may be hard for employees to voice their own opinions. If intimidation is used by a leader, it can limit information sharing and the critical debate and dialogue about what needs to be done to keep pace in the marketplace. Employees may be too fearful about what the leader will think and may choose not to bring information forward.

Figure 2 depicts the same situation for a company that conducts win/loss analysis in a more formal manner with an outside third party. While maintaining direct lines of communication with the salesperson remains an important part of the process, a better way to gather information from the front lines is to have someone who is uninvolved in the sales process speak directly to prospects. When win/loss information is captured by an independent third party, the chain of command stays intact, but information sharing is more widely distributed and, most important, the information is consistent at every level. The information does not change as it moves around the organization. The feedback stays true and does not become affected by the various spins and biases within an organization.

Fig. 2: Independent Third Party Information Path



In one sense, win/loss analysis allows the head of sales and the company's senior management team to effectively be "out in the field" on each deal. By getting a complete independent transcript of each deal situation, senior managers can feel as though they have a pulse on their sales teams' efforts and on the marketplace.

Although it is true that each person within the organization will tend to put his own spin on the independent data and some may attempt to control it, at least all employees will be working off the same accurate starting point. Additionally, in situations where an outside party gathers the data, it will be harder for internal biases and spins to corrupt the findings. This helps organizations better understand themselves and therefore, make better ongoing strategic decisions.

In the next section, we will take this analysis one step further as we explore how this typical organizational process ultimately leads to strategic misalignment.

Garbage in, Garbage out: Why Companies Suffer from Strategic Misalignment

Not understanding what prospects are looking for and not having this information readily available can create significant strategic misalignment in a company's products, services, pricing, sales process, marketing/branding, and strategy.

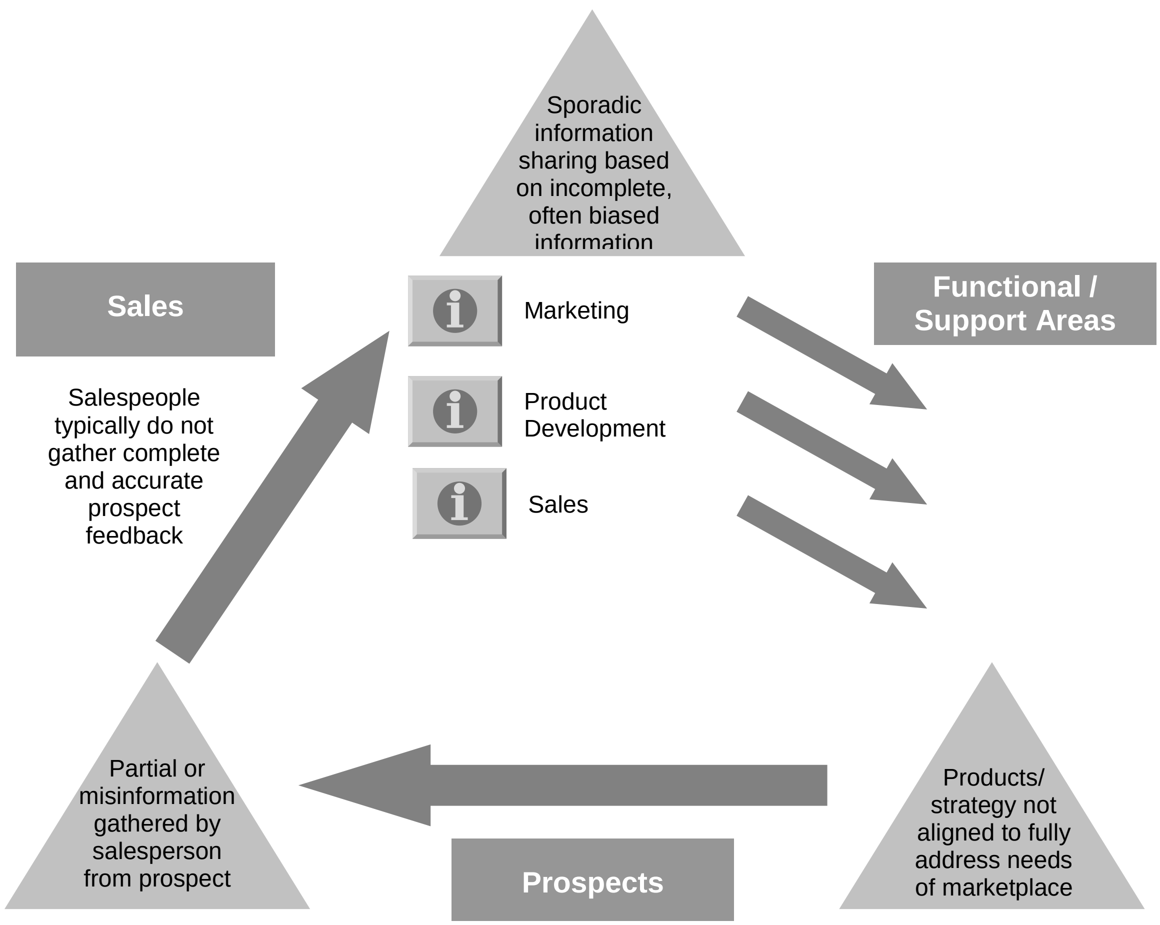
Each of the organizational issues reviewed in this whitepaper are problems unto themselves, but collectively they lead to the last and perhaps most damaging situation for any company: strategic misalignment. The more a company becomes misaligned with its customers, prospects, and marketplace, the harder it can be to catch up to industry leaders.

Not understanding what prospects are looking for and not having this information readily available can create significant strategic misalignment in a company's products, services, pricing, sales process, marketing/branding, and strategy. Due to this common breakdown in properly gathering and understanding unbiased information from prospects, most companies suffer from some form of misalignment. When a company suffers from misalignment in many of these areas, it becomes difficult to implement a well-tailored growth strategy.

Many companies focus too much energy internally and lose touch with their marketplace. When a company is out of alignment with the marketplace, it will eventually fall prey to a competitor that is more in touch with what prospects and customers need and want. Companies that acquire this type of information in a systematic, consistent manner over time can develop a strategic advantage over weaker competitors.

Figure 3 explores the typical corporate triangle of misinformation that leads to strategic misalignment in many companies. Salespeople rarely get complete and accurate information from prospects, which leads to a situation where inaccurate information gets shared sporadically and inefficiently throughout an organization. This can culminate in a misaligned strategy in many functional areas of a corporation.

Fig. A3: Corporate Triangle of Misinformation



In Figure 3, salespeople feed incomplete prospect and marketplace information to different areas of the company (i.e., marketing, product development, and sales). Each of these areas begins to make decisions and alter strategies based on incomplete or faulty information. Thus, the company's strategy becomes misaligned with the needs of the marketplace, which in turn impacts the sales team and prospects in future new business situations. As this scenario perpetuates, companies can move further and further down a spiral of misalignment that can lead to less than optimal performance. As the old computer programming saying goes, "Garbage in, garbage out."

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A company's products and services are the most critical element that can be impacted by misalignment. The best way to learn how to enhance a company's product or service is to not only listen to customers but also to prospects. Prospects are an even better source of feedback than current customers. When you speak to a prospect after a recent buying decision has been made, you are talking directly to someone who has just evaluated not only your company's products and services but also those of your competitors. Additionally, if prospects are switching to a new product or service, they will also have the hindsight of working with another competitor. Therefore, they are an exceptional source of buyer behavior and knowledge about the marketplace and industry.

Since prospects are not yet clients, they primarily base their decisions on their perceptions of a company. Unlike current clients, who already have experience working with a company, prospects are able to provide perceptions of products and services. Perceptions are important to understand because they provide a good gauge of how the marketplace thinks and feels about a company. It is important to identify marketplace perceptions so that marketing and branding strategies can accentuate company strengths while counteracting any negative perceptions.

Similar to better understanding a company's products and services, feedback on a company's technological capabilities can also be a useful tool. Technology areas often get very specific feedback from current customers, but what about from prospects? Prospect feedback can be much more telling because it links into the marketplace and the competition. Prospects are often in a great position to comment about a company's technology because they are coming from another vendor and can provide feedback with the benefit of prior experience. In today's ever changing world, keeping pace with technology is not a luxury but rather a critical component of any company's success.

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If companies don't listen to prospects and seek their feedback, they will eventually find themselves behind the marketplace with respect to the quality of their products and services. Thus, companies can find themselves misaligned with the marketplace.

In contrast to the typical flow of information explored in this whitepaper, when win/loss is conducted independently by an outside firm, each area of a company can have a say in the design of the debrief questionnaire and be on the distribution list of interviews. Additionally, each functional area of a company can analyze the aggregated analysis reporting of all the data. This means that these areas will be able to tap into the marketplace and better understand what prospects are saying about their products and services.

As this feedback loop perpetuates over time, sales, product, and service managers can begin to make more informed decisions. These decisions will now be influenced by true prospect feedback and will therefore be more strategically aligned to the needs of the marketplace. Once a successful win/loss program begins to facilitate information sharing company-wide, a virtuous cycle of continuous improvement can replace the negative spiral of misinformation described earlier.

Now that we have reviewed the organizational challenges present in organizations lacking a formal win/loss analysis process, let's review the benefits that come from implementing a formal program.

The Benefits of Implementing a Formal Win/Loss Analysis Program

The most important long-term goal and benefit of making a win/loss analysis program part of an organization's process is to increase the company's new business win rate. This is achieved through an improved understanding of how a sales team and a company's products and services compare with the competition. Other benefits include:

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- Understanding the candid reasons prospects buy and don't buy (across the entire sales team).
- Identifying a company's strengths and weaknesses.
- Improving the effectiveness of sales presentations.
- Developing an organic training program by allowing each salesperson to apply feedback to all areas of his or her sales process.
- Using prospect feedback as a training and performance evaluation tool for sales and other presentation team personnel.
- Implementing tactics that are more effective and actionable than typical sales training.
- Uncovering unmet prospect/customer needs.
- Identifying prospect perceptions of the strengths and weaknesses of a company's products and services.
- Formally sharing prospect perceptions across all areas of an organization to enhance product and service development.
- Benchmarking a company's performance against the competition.

By understanding exactly where a company stands in the eyes of prospects, a sales team will be in a better position to execute more successfully during the sales process. A formal win/loss analysis program will also help salespeople calibrate their views of their own sales performance versus those of their prospects. By reading actual candid prospect feedback, salespeople can learn how prospects truly view their sales performance. A win/loss program can serve as a valuable training and feedback tool that is missing from many sales teams.

It is only through healthy and constructive feedback that a sales manager can calibrate each sales team member's opinion of his sales performance with those of his prospects, but it requires a formal third-party mechanism to accomplish this. Implementing this kind of formal mechanism is what most sales teams and companies never do, and they stagnate in their own limitations as a result.

Conclusion

Growing a company requires working with prospects. All of the issues mentioned prevent companies from fully understanding their prospects, and this is a dangerous proposition since prospects represent where a company is going. The good news is that this situation can be rectified by incorporating a new and critical element into a team's sales process: a formal, independent win/loss analysis program.

An institutional win/loss analysis program serves as a solution to the organizational problems explored in this whitepaper. First, win/loss reviews allow each salesperson (and an entire sales team) to get a full and accurate debrief on each sales situation. By collecting and aggregating this data, a sales team can fully understand why it wins and loses in new business situations and begin to make the necessary changes to its sales process to increase the company's new business win rate. This process stands in stark contrast to the typical way most companies try to get feedback from prospects, by relying on the sales team to gather this data.

Second, because there will be in-depth telephone conversations with each prospect and resulting interview transcripts, a company can use these transcripts to more accurately disseminate data throughout the organization. By using a clearly defined interview distribution system, different areas of the company can tap into the vast knowledge and "storage facility" of prospect feedback. Therefore, the sales team will no longer need to be solely responsible for supplying prospect and marketplace feedback, and the inherent conflict of interest will subside.

Additionally, quarterly or annual reporting of win/loss results can be used to aggregate real time data and present the findings to all areas of a company in a clear and concise way. By committing to the process of sharing unbiased, candid prospect feedback with many areas of a company, employees will no longer need to play "the telephone whisper game." This will mean that now everyone in the company is getting the same straight feedback and information in a consistent way, all at the same time.

Win/loss analysis offers companies a significant accumulative advantage over the competition, the benefits of which can grow substantially over time.

Last, each employee in each area of the company can begin to make better and more informed decisions on a daily basis. This will help to enhance a company's products and/or services, pricing, marketing, technology, customer service, and strategy. This will serve to better align each of these key areas with the needs of the marketplace and will help a company better compete. By learning how to build a successful program, companies will develop a strategic advantage in the marketplace because their strategy will become much more aligned with what prospects are looking for.

Win/loss analysis offers companies a significant accumulative advantage over the competition, the benefits of which can grow substantially over time. By committing to a continuous and unbiased prospect feedback loop that can be shared across all areas of an organization, companies can more accurately make enhancements at all levels. Over time, this management tool can allow a company to charge ahead of its competition by continually keeping a pulse on industry trends, the competition, and needed enhancements to its sales process, products, and services.