Effective Business Development Forecasting
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Do you know that the average North American home has more TVs than people? Yes. Only 2.55 people per home but 2.73 TVs. And the fact that the average person watches 275 minutes of TV every day makes this fact even more interesting.

It seems many people hope that their lives will improve only by watching TV.
And something similar is happening in business development.
Many IT companies engage in the business development equivalent of mindless boob tube watching.
TV addicts are channel surfing hoping to find something interesting somewhere.
Business developers with the boob tube mentality refuse to narrow their offers and niche their target markets because they’re worried about losing out on something.
So, they brand themselves as one-stop IT shops that do anything for anyone for money. That is, they become small fish in huge oceans.
Is it surprising then that no one pays attention to them? Not really.
The other option is that you properly niche your company’s offers and narrow the target market to a specific segment.
But how does that help you to forecast your business development for the next year?
Well, pretty easily.
When you solve similar problems to similar companies, you can systemise bigger and bigger chunks of your solutions, thus making a larger part of your business scalable.
It also means you can take on more and larger projects, solving more expensive problems without hiring more people.
And this approach will boost your profit per employee quite nicely.
And growing a business is all about making it more scalable.
No, hiring more people is not business growth; it’s merely business enlargement.
And while enlargement can be an interesting topic to discuss in the context of anatomy, in a business context, it’s a losing game.
As the owner of an entrepreneurial company, don’t get blinded by vanity performance indicators that big corporations use to impress Wall Street. Indicators like gross revenue or headcount.
Focus on meaningful indicators like net profit per employee. That means something.
Or effort hours per $K. That is how much effort\(^1\) (NOT duration) takes to produce $1,000.
Actually, you may want to constantly reduce effort level, while maintaining quality, but be careful about reducing duration too much. When you reduce duration under a certain level, the

\(^1\) Duration vs. Effort: Duration is the total time period it takes to complete a project task. Effort is the actual amount of work, usually expressed in resource hours. E.g.: It takes 2 weeks (duration) to renew a Canadian passport, although it requires only seven minutes of effort (real work).
perceived value of your solution could suffer. If you deliver the goods too quickly, some clients may think you’ve been using some dirty tricks.

Many clients may agree to value-pricing method

No this is not the billable hour nonsense. This is an internal measurement strictly for internal use.

So, let’s see how you can better forecast your business development for the next year.

**Step #1: Set Appropriate Goals And Objectives**

Let’s start by differentiating between goals and objectives.

An objective is something concrete that you can start and complete within the time frame of a project and its completion is almost 100% under your control. For instance, build a fully optimised and e-commerce-enabled website by 30 June 2016.

A goal is something abstract that you want to achieve, but you’re not 100% certain of its achievement. A goal’s achievement requires several objectives to be in place. You start working on achieving a goal when you start working on the project, but may not achieve it by the end of the project. Since several aspects of a goal are out of your control, even if you have all the objectives, you may not reach the goal.

So, should we set goals or objectives?

I think we’re better off by setting objectives. You can’t control whether or not you lose 20 lbs of fat by the end of March, but if you maintain a good exercise/nutrition/lifestyle regimen, then the fat loss is unavoidable.

A while ago I read an article whose gist was that losers set goals, but winners set objectives and matching frameworks and guidelines to complete them.

Losing 20 lbs is a great goal, but pretty abstract. Whether you pull it off or not is uncertain.

Going to the gym to lift weights and do some cardio and flexibility exercises 4-3 times a week for 1.5 hours per session at a pretty decent intensity is concrete. This can be planned, forecasted and checked off at the end of the day.

Consuming X amount of lean protein, Y amount of good carbohydrates and Z amount of good fats can be planned, forecasted and checked off as done at the end of the day too.

And now let’s translate this into business development.

Look at your last year’s objectives and this year, step it up a bit.

Check what goals you’ve achieved by fulfilling last year’s objectives.

Step up the objectives but not by hiring more people, but building more effective systems.

Do you find that buyers show too much resistance when you meet them. Further reduce the resistance by inserting 2-3 extra steps in your lead conversion and further slow down the sales cycle. Make sure they are automated steps.

Focus on what you keep not just what you make. The difference can be pretty significant.
Goal #1: Number of New Clients

I would also emphasise that this number means something only if they are perfect clients matching your perfect client profile.

Yes, you want to track the number of new clients, but you have to be careful not turn client acquisition into a numbers game. You have to maintain the quality of the clientele before paying attention to quantity.

In my experience, you can estimate each project-assignable professional to run 3-5 client projects parallel, but this also depends on the nature of the projects.

I also assume her that the client provides you with support staff, and your people work only on expert stuff.

Translating it into medical language, the doctor performs the surgery, but the patient provides the doctor with support people to assist in surgery and recovery.

Surgeons don’t push patient gurneys and don’t fetch medicine from the pharmacy.

From time to time, you may need to assign two or more people for a project for short periods of time, but most of the time, one project person, with the right client support, can run a project.

For this calculation, you also need some historical data on the duration of different types of projects.

Yes, I know every project is unique, but there are several common elements too.

Every good cardiac surgeon knows roughly how long a complication-free triple bypass operation takes.

Quality, not Quantity

As a premium IT company, think about how you can improve the quality of your work and charge more for it, and all without increasing the quantity of work.

The secret to success is doing less of something different, not merely doing more of the same.

Sadly, this is how conventional wisdom operates.

Remember when Henry Ford asked people about what they wanted in terms of transportation, they said they wanted faster horses.

It shows, you can’t rely on what people want. You have to discover what they really need?

You may want to have lots clients, but the more quantity-focused you get, the thinner your margins become.

Yes, there is safety in numbers in case someone triggers your money-back guarantee, so you can spread your risk, but an even better way of spreading your risk is by carefully onboarding only a few perfect clients at any one time and leaving your company with some spare capacity for unforeseen events.
Goal #2: Set New Client Income Level

If you were a dairy farmer in the process of buying some new cows, one of the factors to track is the annual milk yield of each cow.

For instance, a Milking Shorthorn’s annual yield is some 5,800 litres. By contrast, a Holstein produces 8,900 litres per year. That’s a whopping 54% increase.

But this is just one important factor.

As a farmer, you also have to consider the total cost of ownership. That is, cost of feeding, housing and taking good care of your cows.

In your IT business, one of the key factors is client yield.

And just as in dairy farming, in IT work, well served and looked-after clients reward their IT people with good money, interesting work and referrals.

Depending on the nature of your IT business, client turnover can be more or less.

If you provide managed services, your turnover is supposed to be pretty low.

But if you provide project-based IT work, then turnover is higher, but that’s normal.

Besides client yield, you should monitor the cost and time of rendering services to clients too.

This is not the traditional tracking of individual’s working hours. This is the total number of hours invested in each client by the whole company.

Here you want to know how much time (effort) has been expended on each client and what the return is.

You basically run a P&L on each client and at the end of the year, you can analyse yield per client.

Step #2: Setting a Minimum Level of Engagement

When you project your next year’s performance, you have some money figures floating inside your head, so you know what you’d like to see on your financial statements at the end of the year.

With that in mind, you know how much each client project has to yield to achieve that projected number.

But since it can be hard to talk to buyers about dollar figures, it only makes sense to let them know upfront what your minimum project fee is.

And you can do that in a friendly question...

“Have you budgeted minimum $25,000 for this project?”

Real buyers can give you a clear answer to that.

Glorified flunkies, a.k.a. pretending buyers start hemming and hawing because they can’t give you a clear answer.

This is when you have to up your game and go to a higher level and connect with real buyers.
Thoughts on New Target Revenue

Yes, it’s important to set target revenues, it’s even more important to set the necessary objectives to achieve those revenues.

Hitting or missing a revenue goal is out of your control. But many aspects of those goals are in your control.

Those aspects can be the number of white paper downloads, number of buyers researched and individually contacted, number of proposals requested and submitted, etc.

Align Incentives With Objectives And Goals

Incentives can be tricky. In most IT companies, incentives, especially in business development, are of short-term and individual.

Companies are good at bragging about the complexity and sophistication of their products/services, but they try to sell them as if they were as simple as a pair of chopsticks. Is it then surprising that the market regards these products/services as commodities?

It is the selling companies and their sales processes that scream loud and clear that what they sell is a commodity and should be purchased as such.

But in the age of the complex sale, incentives should be long-term and company-wide.

People should realise that all the people of the company either win or lose as one. I find it rather despicable that certain people are protected and get paid regardless of the company’s performance, while salespeople are constantly berated for their performance and management is constantly inventing compensation schemes to work salespeople harder for less money.

It seems the very people who keep the company alive get the roughest treatment.

A good company reminds me of a cart that is pulled in the same direction by all the horses. When I was studying for my horse and cart license in the UK to become a hearse driver, I had to learn to drive four horses, and I can tell you, it’s hard.

Now imagine your company in which you may have over 100 horses, well, people pulling the corporate cart in any which direction. How much progress do you think that cart can make? None. Not a sausage.

Also, make sure to avoid the “more clients are good” approach. Reward the “great clients are good” approach.

Step #3: Monitoring Progress

When it comes to monitoring, most IT companies track the results they’ve achieved.

I think that alone is flawed because it’s like staring at the score board and not playing the game in a sport.
But if you don’t play the game, the score board starts changing in a bad way, no matter how hard you stare at it.

But if you monitor the efforts and the accomplishment of objectives that are under your control, then something can happen. You get on the trajectory of reaching the projected goals.

Just think about weight loss. If you want to lose weight, well, fat really, you need to take care of three components: Nutrition, training and lifestyle (sleeping, work-life balance, etc.).

If you monitor your food intake, training regimen and various lifestyle indicators on a daily basis and follow the pre-set recommendations, then weighing yourself can be a mere weekly afterthought.

Yes, you weigh yourself for bragging rights every day, but weighing yourself is not the cause of weight loss. Your weight and body fat content are the effects of your nutrition, training and lifestyle choices.

Also for bragging rights, we like tracking financial indicators, but they are really lagging indicators, so they happen even if you don’t track them.

But what about those, mainly judgement- and discernment-based, indicators that create the financial indicators?

How did you feel when you started work this morning?
Did you have a good sleep or are you underslept... again?
Did you have a nutritious breakfast with your family or did you rush to work?

What did you bring from home to work? Harmony or chaos? Yes, as a human being you can’t separate home life and business life. And the people who think they can are the most screwed up.

In my experience, every business problem is a personal problem that has escalated to a business level.

Think about it.

What sort of proposal do you think you can write when you’ve just found out about your spouse’s affair with the postman or your son’s conviction for drug trafficking?

They do have huge impact on work performance.

Monitoring progress is nice, but also make sure you monitor the little things that need to be done every day to create a big things.

Yes, losing 20 lbs can be a huge challenge, but if you break it down to a one-year achievement, you have to lose only 25 grams per day.

In the ideal situation, if you lose 100% fat, which is, (25 * 9kcal) 225 kcal. You have to create only a tiny 225 kcal deficit per day between your energy intake and energy expenditure.

That sounds doable, doesn’t it?

In the meantime, don’t sell harder. Market smarter and your business will be better off for it.
With victory on high...

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**Additional Knowledge Products to Build Your IT Business**

Here are some knowledge products on business development for building your premium-calibre IT business. It’s especially for privately held “entrepreneurial” IT companies and solo IT professionals.

These products are sort of workbooks. They explain what is what, then walk you through the “how to...” part of the process. As you read the books, you do the exercises, and by the time you finish reading, all the relevant bits and bobs are in front of you on paper applied to your own unique situation. For this reason, the materials are not long but rather dense.

I hope you find them valuable.

- Winning Yellow Pages Advertising For Information Technology Companies
- Perfect IT Client Profile Development Toolkit
- Frame It Right: How To Structure IT Marketing Content For Maximum Buyer Action