

1-2-4 Opportunity Management

Jack Welch, CEO of General Electric, told a group of managers, “You can’t grow long-term if you can’t eat short-term. Anybody can manage short. Anybody can manage long. Balancing those two things is what management is.” Welch’s advice is as relevant for salespeople. Salespeople are managers; they manage opportunities.

Years ago, we developed a formula to help salespeople effectively manage their pipelines of opportunity. The formula was based on national closing ratios and works today as well as when we first developed it. Your pipeline is your pending business opportunities—with new customers or existing customers. Think opportunities versus contacts. There are three types of opportunities:

- A red-hot opportunity (RHO) is a high-probability opportunity that is more “when” than “if.” You are 90-100% sure it will happen short-term.
- A viable opportunity (VO) is a moderate-possibility opportunity that is more “if” than “when.” You are 50-90% sure this will happen in the intermediate future.
- A potential opportunity (PO) is neither “when” nor “if.” It is “maybe.” You are less than 50% sure it will happen long-term.

For each RHO in your pipeline, you need 2 VO’s and 4 PO’s to maintain a steady flow of business. Another way to frame this is that for every short-term opportunity, you need 2 intermediate opportunities, and 4 long-term opportunities. An additional way to view this is that for every “when,” you need 2 “ifs” and 4 “maybes.” This is 1-2-4 opportunity (pipeline) management.

I know a sales manager who frames it this way. For every piece of business that will materialize in the next 30 days, his salespeople must have 2 opportunities that could materialize in 60 days, and 4 opportunities that could happen in 120 days—the 1-2-4 balance. Another sales manager encourages her salespeople to balance their pipelines by dollar amounts. For each \$10,000 in RHO’s, they must have \$20,000 in VO’s, and \$40,000 in PO’s.

This formula helps you maintain a steady flow of business in your pipeline. It eliminates the peaks and valleys that many salespeople experience. Also, it makes it easier to release your grip on an opportunity that is wasting your time. You do not want to become a prisoner of hope. Join us for our next public seminar, and let us help you fill your pipelines.

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