# Build an Enduring New Business Pipeline

To generate new business that will guarantee steady revenue and growth, one must understand the incubation period for small to large class dollar contracts. Often, businesses are looking for quick revenue in a short period of time because they have a depleted new business pipeline. This paper will discuss the general guidelines to develop a healthy set of leads – short-term to long-term - and how to manage those leads into revenue. Also covered are the primary causes of a depleted pipeline and the strategies to avoid them.

## *New Business Pipeline*

The management of the timing of new business is a major challenge. Many business developers use the pipeline model; creating a function of opportunity inputs at various points in the pipeline and a time flow of money at the pipeline exit. See Figure 1. The goal is to have a steady and even flow of revenue streams. This provides assurance of stable revenues, reduced staffing problems and more assured growth potential. The cost of improper management results in "feast and famine" business behavior.

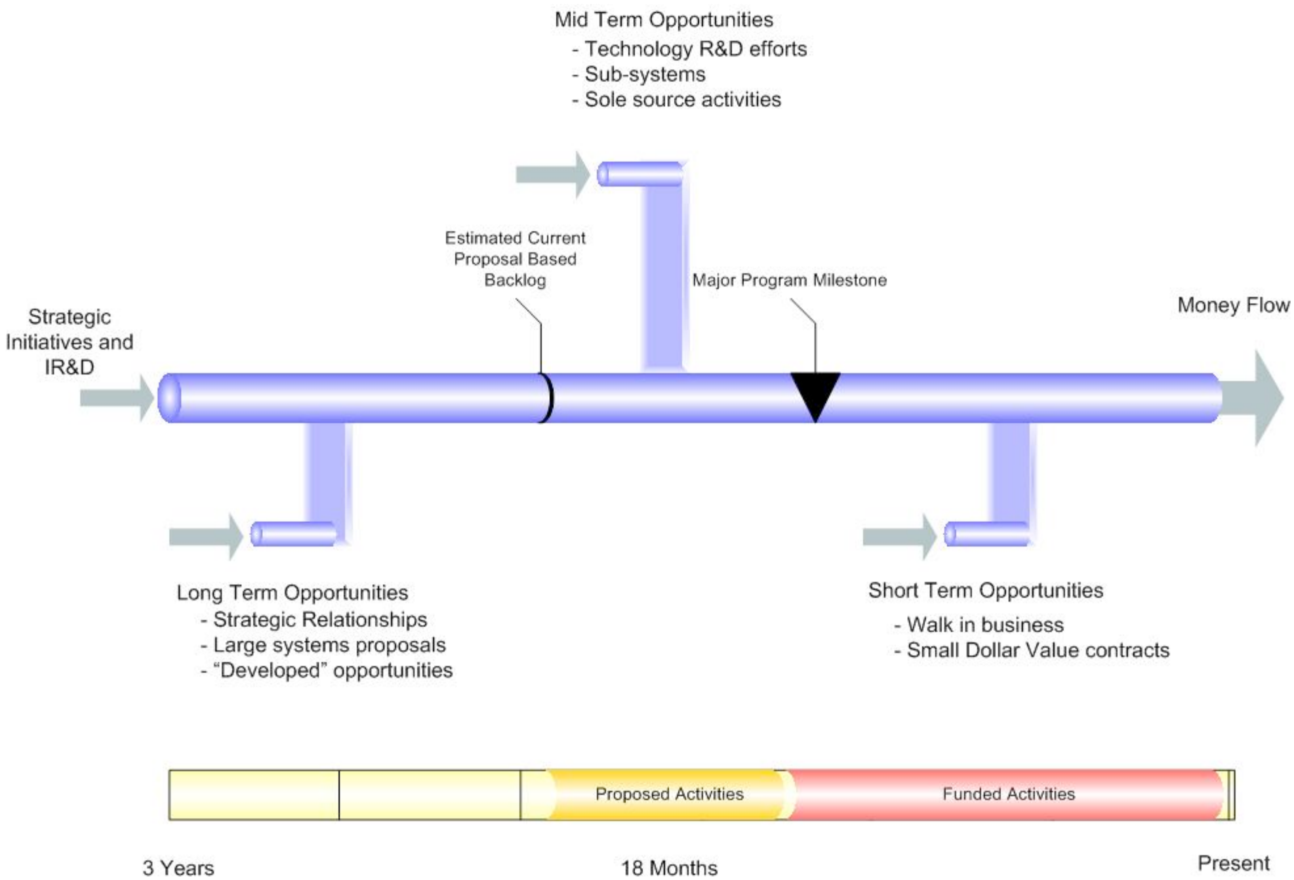


**Figure 1. Enduring New Business Pipeline**

## *New Business Leads*

To guarantee steady revenue and company growth, business developers must generate leads that will turn into sales. The best approach is to divide new business leads into three categories: short-term, medium-term, and long-term. Each category requires varied times to sale, attention and yield rates.

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|---|---|
| **Short-term opportunities** | Short-term business opportunities generally comprise less than 20% of the corporate revenue and would be expected to close out in less than 6 months. This is often walk-in business and should close at very high rates (more than 90%). If left to the usual channels, these leads are fairly easy to maintain. If not, these could be quite expensive to recruit for short-term business. |
| **Medium-term opportunities** | These opportunities generally close in a timeframe of less than 2 years and comprise roughly 35% of the corporate revenues. Most often a "developed" opportunity and within a core business area, medium-term opportunities fall into the technology development. |
| **The long-term opportunities** | This category of leads will drive growth within the company and comprise 50% or less of the overall company revenue. They require a much longer time scale to develop and are expensive to pursue, usually requiring a formal capture team. These yield a high strategic value while costing the least if done in advance. |

Every situation is different but there are some general guidelines for developing a healthy set of leads in different categories. Based on your company's revenue model and how much of the revenue comes from the different categories, you should decide how much revenue is needed in each category. Once you have those numbers, your short-term leads should be 1.5 times the annual dollar volume of short-term lead revenue. For medium-term revenue, this number jumps to 2.5 to 5.0 times the revenue need. For long-term leads, you will need 10 times the annually operating revenue requirements.

The graph below demonstrates an example of anticipated revenue from a healthy new business pipeline. The leads are put in the pipeline and a realistic win probability is computed. This helps anticipate business growth over the short-term and long-term.

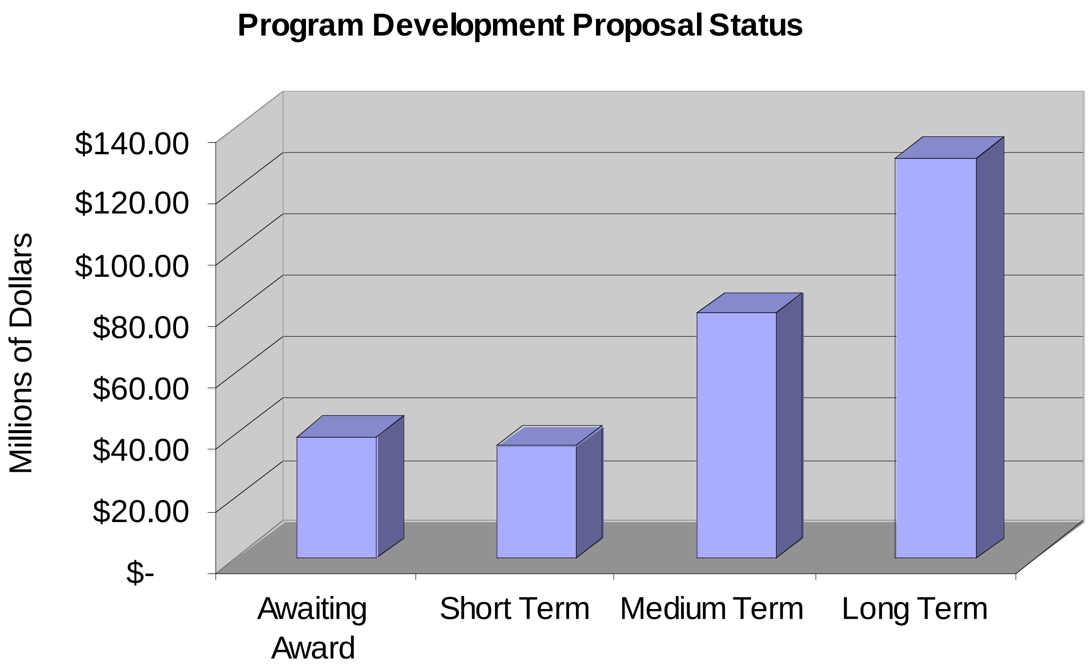


**Figure 2. Example of Healthy New Business Pipeline**

## *Depleted Pipeline*

There are five primary causes of a depleted pipeline, listed below. Many apply to small and large businesses.

1. A non-existent business development effort or group. This cause is most common for small companies that have a single owner closely held ownership structures. This kind of situation can also exist in a relatively young company that experienced strong initial successes and "got busy" with getting product out the door only to find that at the end of the project there was a lack of revenue.

2. A poorly performing business development function. Plain and simple, not all business development groups and efforts are effective and in fact some of them are just plain worthless. Typically this results from a lack of accountability and upper management level attention. Thus a depleted new revenue pipeline will result from such non-performance and it might be too late.

3. A focus on short-term objectives and business opportunities. This is common to new businesses that do not experience a lot of initial success and they find that they are

"scratching around like a chicken for a living". This is more of a character flaw but often if leaders in these situations understand that it is their short-term perspectives that are reinforcing this intolerable situation, they are able to slowly depart from this situation and generate an enduring new business pipeline.

4. A single customer focus. This is a surprisingly common situation where a business finds itself with a "patron" within the customer community but once that person or their funding goes away, so does the long-term new business. The tragedy of companies in this situation is that like animals that never learn to hunt, these businesses have no clue how to competitively go after new business. This is a slow emergence situation and will take a long-term commitment to correct the inherent risk of this position. Unfortunately, most companies in this situation do not seek to fix the inherent risk in this position but rather focus on finding another patron saint.

5. A strategic blunder. Often a strategic blunder will cause otherwise good companies to abandon a good and strong traditional market in favor of "growth opportunities". If this drastic move proves to be unsupported, it may be too late to save the company as they will no doubt have abandoned the old market and competitors will have consumed their old market share.

## *Conclusion*

Avoid falling into one of the traps of a depleted new business pipeline. If your business development efforts are managed and leads volume kept up, you should continue to have a healthy future in revenues and avoid a depleted new business pipeline. In the end, a healthy revenue pipeline means more profits, less hair pulling and happier and well-adjusted employees who are most productive under these conditions.