BUSINESS MANAGERS MANAGEMENT

The great commercial probability scam

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Assigning a percentage to each commercial opportunity gives an illusion of precision more than a real forecast. It's better to manage with steps, objective criteria, and scenarios.

In many consulting and IT services companies, business projections rely on a process that has become almost automatic: assigning each opportunity a percentage chance of success. 20% if the likelihood of winning the deal is low, 50% if nothing is known, 80% if there is good hope. Then, it's just a matter of multiplying the deal amount by this percentage to get a "weighted value," which is added to all other opportunities. Magic: a revenue forecast is obtained, which is presented to the executive committee with a serious demeanor.

Except that this method is not only inaccurate but also deceptive. It gives the illusion of control that doesn't exist and maintains management disconnected from reality.

The Binary Logic of a Deal

A deal is, by nature, binary: it is either won or lost. There is no such thing as a half-contract. Just because you estimate a 70% chance of winning a bid doesn't mean you'll collect 70% of the projected billing. It's all or nothing.

The percentage method overlooks this basic reality. It transforms a qualitative datum (the subjective probability assigned to a file) into a quantitative datum, then adds numbers that have no real foundation.

Result: business forecasts are built on shifting sands, where accuracy is a pure illusion.

Why Some Continue to Use This Approach

So, why persist in this error? For a simple reason: percentages are reassuring.

Attributing a number to a deal, even arbitrary, gives the impression of controlling the situation. The commercial director or business manager can show curves and totals. The leaders, in turn, feel they have a numerical vision of the future.

It is a classic cognitive bias: **the illusion of control**. Humans hate uncertainty. Faced with a future by definition unpredictable, we prefer to cling to approximate figures rather than accept navigating in the fog.

In other words: probability percentages are not used because they are accurate, but because they give an **impression of rigor and control**.

The False Precision of Business Probabilities

Let's take a concrete example.

A business manager has three opportunities in their pipeline:

- A bid worth 500k€, estimated at a 50% chance.
- A consulting assignment at 200k€, estimated at 70%.
- A project at 100k€, estimated at 30%.

With the percentage method, it shows a forecast of: (500k x 0.5) + (200k x 0.7) + (100k x 0.3) = 250k + 140k + 30k = 420k€.

The management thinks that 420k€ should come in. But in reality, it's 800, 700, 600, 300, 200, 100, or nothing at all... but never 420k€. This number does not exist in real life.

The sum of false probabilities cannot yield an accurate result.

The Risk of Decisions Based on These Numbers

This illusion of precision is not only a theoretical error; it has serious practical consequences:

- **Biased investment decisions**: if one thinks a "certain" revenue of 420k€ is coming, there might be decisions to hire, rent larger offices, or launch an internal project. If, in reality, the deals fall through, the company finds itself in trouble.
- **Unnecessary pressure on teams**: when forecasts are wrong, management tends to blame salespeople for misjudging their opportunities, instead of recognizing that the method is flawed.
- **Poor resource allocation**: if all deals are added up based on percentages, there is a lost clear vision of what is truly strategic, urgent, or a priority.

In short, making strategic decisions based on illusory data sets the stage for disappointment.

The Cognitive Biases Lurking

Several cognitive biases are hidden behind this practice:

- **Illusion of control**: believing that assigning a number equates to mastering reality.

- **Precision bias**: attaching more value to a datum because it's quantified, even if it's false.
- **Confirmation bias**: managers remember cases where percentages come close to reality and forget all cases where they did not work.
- **Anchoring bias**: once a percentage is assigned, it remains in people's minds and influences all discussions, even if conditions change.

These biases maintain a fragile but reassuring system, where everyone can hide behind numbers to avoid confronting uncertainty.

Possible Alternatives

Rejecting percentages doesn't mean navigating blindly. There are more relevant methods to manage a sales pipeline:

- **Categorize deals**: rather than applying a percentage, classify them in clear steps: discovery, qualification, proposal, negotiation, closing. Each stage has a precise meaning and helps identify the level of progress.
- **Analyze the quality of opportunities**: instead of an arbitrary number, establish objective criteria: do we have access to the decision-maker? Are we aware of the budget? Does our solution truly meet the need?
- **Scenario-based projections**: instead of providing a single number, build scenarios: pessimistic, realistic, optimistic. This forces reflection on underlying assumptions and avoids self-deception.
- **Track actual conversion rates**: instead of inventing a percentage for each deal, look at the history. If on average 20% of opportunities are signed, then you know that for 10 proposals made, about 2 will be won. It's much more reliable than weighting each deal individually.

Example in an IT Services Company

Imagine an IT services company planning its consultant recruitment. It applies the percentage method and concludes it will sign 1.2 million € in projects in the next three months. Therefore, it hires six consultants to anticipate the workload.

But ultimately, only one deal, worth 200k€, is signed from the entire pipeline. Result: six consultants between assignments, exploding fixed costs, and a financial management crisis.

Conversely, if this company had reasoned in scenarios ("if two deals fall through, we hire 2 consultants; if five fall through, we adjust"), it would have avoided overconfidence.

The Courage to Accept Uncertainty

The real problem is not the method itself. It's our collective inability to accept that the future is uncertain.

The percentage projection is a way to mask the anxiety of "we don't know." Yet, in business, uncertainty is inherent. It cannot be eliminated, only managed.

Having the courage to say: "We have ten serious opportunities, but we don't yet know which will be signed" is much more honest. This forces work on the quality of commercial actions rather than on statistical illusions.

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Conclusion: Rigor Is Not Percentages, It's Clarity

Making forecasts with percentages of deal gain is a logical error, a source of illusion, and a managerial trap.

Rigor is not lining up decimals in an Excel file. It's recognizing the binary nature of a deal, working with scenarios, analyzing each opportunity objectively, and building prudent and adjustable decisions.

The sum of false probabilities will never yield a true number. It is better to accept this reality than to shelter behind an illusion of control.

And if tomorrow you still hear someone say: "This deal is at 70%," simply remind them: **a deal is 0% or 100%. Nothing in between**.

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