## ABRIDGED BOOK

# impact

**the technology executive's guide for selling B2B disruptive and innovative solutions**

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http://bit.ly/IMPACTbook

## Is this book for you?

Are you an executive or investor of an early stage company? Do you have sales teams engaged with B2B customers? Is your technology product, solution or service disruptive or innovative?

If it is all of these, then read on.

## It is the digital gold rush

Everyone wants to be a rock star entrepreneur. It has never been easier to develop a tech solution and get it to market. There are now powerful development environments, hosting platforms, app exchanges and funding.  So now is the time for people to unleash the entrepreneur inside themselves. And a lot of people are taking up the challenge and doing it - with mixed results[1].

At the same time every company is looking at digital transformation that will transform their business.  As they do this, they are retooling their employees with new consumer style applications, so B2B has come back into vogue.

But, does it always have a happy ending – the IPO, the acquisition or leading the technology wave? Sadly the answer is "No".  A recent study by CB Insights of 101 start-up failures identified the top two reasons were "no market need" (42%) and "ran out of cash" (29%). For every start-up that crashed and burned there are probably ten or a hundred more that are doing ok, making sales and burning through investment. Sadly, they are never really fulfilling their potential and reaching terminal velocity. They are failing, in their own way.

Whilst it is easy to write off failure as simply misjudging the market need, we believe that in the B2B world it is not that simple. You cannot rely on a cool website, social media and viral adoption. Innovative or disruptive solutions still need to be actively *sold* into a corporate where the buyers are becoming more risk averse. That means helping the buyer understand why your solution fulfills their *unmet* and possibly *unrecognized* need and how to build a business case.

Engage your buyer in the wrong way and the poor results could be construed as a lack of market need. This leads to the second issue. You need to grow from small, unprofitable "under the radar" pilots to significant enterprise deployments that will enable you to scale before you run out of cash.

## Do you have problem?

If your company is going under then it is obvious, but for everyone else a deeper problem may be covered up by glimpses of success. Narrowly missing your quarterly sales target, but with big deals forecast for the end of the year does not seem to be a red flag. However, come the end of the year and none of the big deals have closed and suddenly it is panic stations. For most early stage companies that are constantly running on tight funding it could be terminal. It will certainly be the end of the CEOs career.

What are the vital signs for an innovative tech company that should alert executives and investors to take a closer look at their go to market strategy and business model. For starters we have:

- Every business buyer you approach loves the solution, didn't realize you even existed but is unable to find any serious budget.
- It is proving impossible to forecast sales closure on deals.
- You are making sales, but they are only pilots and the larger follow-on deals are stalling and delayed. Often you have multiple pilots in a single client.
- The cost of sales is too high to be sustainable long term: the business model does not work.

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[1] Like those who sing karaoke off key but believe that they could be Bruno Mars

- You have hired a big-hitter sales guy with a proven track record from an established big tech company, but they are not delivering.
- The analysts firms such as Gartner or Forrester don't seem get it and there is no Magic Quadrant or Wave that you naturally fit into.
- You are struggling to recruit partners who are able to resell the solution without huge levels of support from you.
- You have high levels of professional services vs. license sales.
- The customer's IT and procurement teams are getting involved and are now proving to be a major roadblock.

## Pivot is a tactic, not a business strategy

Nowadays the trendy way to mask a failure is to pivot before the cash runs out and then become successful. Words like "pivot" and the related "iterate" have been used in and around Silicon Valley for several years, generally to describe failing and moving on.

But the use of these terms has picked up significantly. There is a fascination from the broader public with entrepreneurs behind high-profile start-ups who raised funding from investors despite significant changes in their original business plans.

Reality check: no matter how many pivots you make and how understanding your investors. Eventually you need to find a market that works[2].

## Sales is sales is sales – right? No

It has long been believed that any one of the different sales methodologies will help you sell, irrespective of the type of solution, the industry, the size of customer, or the market. It is viewed that 'sales is sales is sales', and that any good salesman can simply change or morph their approach to suit the particular circumstance. There are no shortage of selling methodologies, such as Strategic Selling, TAS, Powerbase Selling, Solution Selling, Value Selling, The Complex Sale, Impax, and SPIN and, more recently, The Challenger Sales.

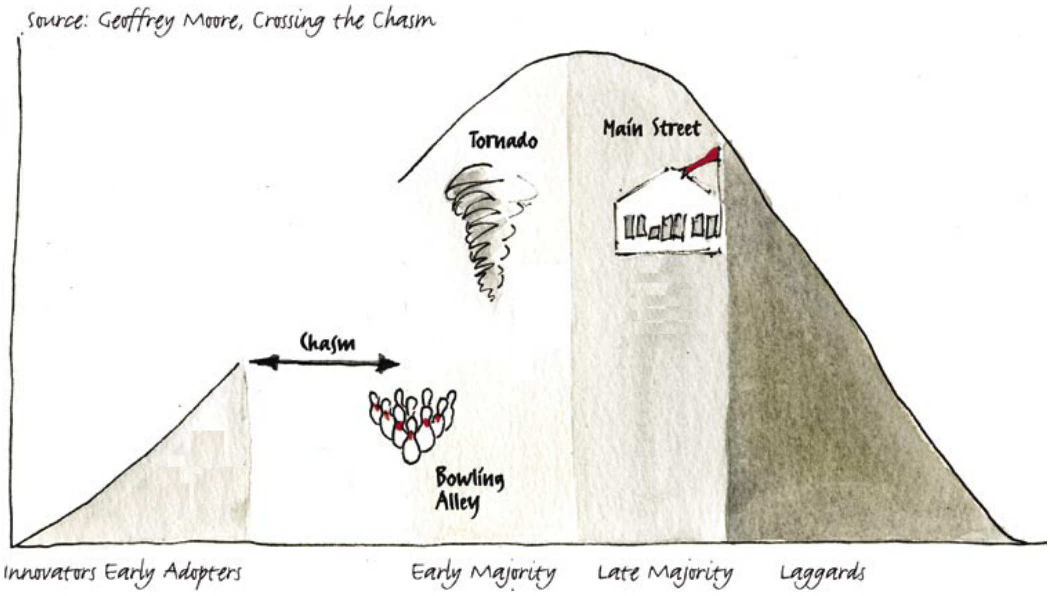
Our 25 years of research, across booms and busts, has spanned the range of organizations from the largest global corporates turning over $100 billion down to small companies with two employees who are just starting out.

The research has revealed some remarkable results: the accepted thinking on sales methodologies is ***fundamentally flawed*** if you are an *early stage company* with an *innovative or disruptive solution*.

## There are different types of buyers

Geoffrey Moore's book Crossing the Chasm, recently released in its 3rd revision, highlighted that there were different buyers out there. The book expands on the diffusions of innovations model from the 1950's. Crossing the Chasm has had a significant and lasting impact on high tech marketing. Moore argues that there is a chasm between the Early Adopters (the visionaries) and the Early Majority (the pragmatists), and these two groups have different expectations. In fact, the buying mentality of these two different groups are polar opposites. Even more conservative are the Late Majority (conservatives) who will purchase only when there is no other option. So let's explore the attitudes and approaches of these different buyers.

[2] Constantly pivoting is called a death spiral




## Early Adopters

These are visionaries. They are NOT technology enthusiasts – that is the innovators on the far left. Early Adopters are the real revolutionaries who see a disruptive shift in technology as an opportunity to gain competitive advantage. They can see a different future that is not necessarily a simple evolution of the current technology. They are risk takers who are prepared exploit new technology and spend real money. They are the lifelines for entrepreneurs who are looking to fund their new venture. And they do not expect the solution to be complete, so they are happy with an MVP (Minimum Viable Product)[3]. But they do want to make sure that the development roadmap of the solution meets their demanding needs. One benefit is that this group is not afraid of taking a stand and being a highly visible advocate, publicizing a new technology. They want to be first with all the risk that this entails. They are the perfect champions.

You find these people dotted all over the organization except in procurement and parts of IT. You will recognize them when you meet them, but you cannot tell from a job title as this a character trait. This makes them difficult to market to.

*These are the buyers of innovative, disruptive technology. For example, your solution.*

## Early Majority

These are pragmatists. This group makes up the majority of technology purchases by volume and value. They believe in evolution, not revolution and see technology as a tool and nothing more. They want to be at the leading edge but not the bleeding edge. More importantly they are risk averse and will only implement technology once they see that it has been proven and is complete. Complete means complete: solution functionality, training, after sales support, partner ecosystem, user group, strong references, analyst validation. They see themselves protecting the corporation from the irresponsible Early Adopters.

What this means is that they are only happy buying from market leaders that are financially stable with proven business solutions. This reduces the risk of purchasing technology that will cause a problem to mission critical systems and upset a stable environment. Their purchasing power reinforces the power and position of the market leaders. You find these people in the CIO's architecture team and in procurement.

*These are the buyers of the proven, established market leading solutions. For example CRM or ERP.*

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[3] I don't want it perfect. I want it Tuesday

### Late Majority

This group of people are the conservatives. They doubt that they will get any real value from technology and therefore approach any purchase with reluctance. They are price-sensitive and therefore refuse to spend real money on implementation. Yet they represent one of the largest markets for technology purchase, once it is a “no brainer”. For them the technology needs to be so established that all risk has evaporated. In fact they will purchase only when there is a greater risk not implementing the technology. They purchase only from the clear market leader, having done their own research and made a decision. The only debate is price.

You will find these people in procurement.

*They buy a commodity solution, often the brand leader, and expect commodity prices. For example, a global roll-out of email.*

## The universal buying process - IMPACT

What the research has shown is that every buyer, no matter where they sit on the chasm bell curve, goes through the same universal buying process. This process does not vary across industries or even regions of the world, because it is inextricably linked to instinctive human behavior. It is just the speed that organizations or individuals travel through the process that differs.

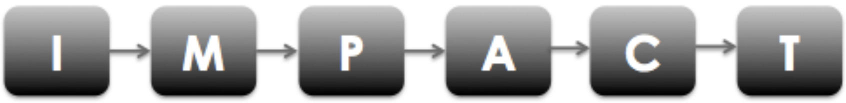
We have identified 6 distinct phases of the customer buying process and to make it more memorable we have called it **IMPACT**.

The IMPACT process may be followed in a formal way or it may be tacit and informal. It may involve large numbers of people, both inside and outside the organization, or it may be driven by one individual. It is guaranteed that any idea which leads to a purchase in an organization, be it corporately or personally driven, has followed this process.

### IMPACT

The six phases of the process are easy to remember as they will have an enormous IMPACT on your company’s performance:

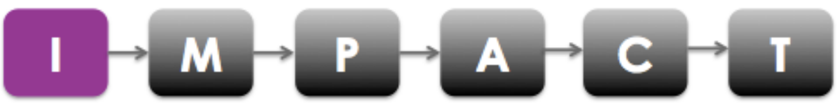
Idea – Mentor – Position – Assessment – Case – Transaction




Every purchase goes through all six phases, with or without the vendor (your) assistance. The reason that you probably don’t recognize this process is because the customer goes through the process ***on their own***, and only invites you in at a certain point. But more of this later.

First, let’s understand the IMPACT process - ***from a buyer’s perspective***. This is an employee in a major corporate, mired in politics, trying to make change happen. It may be formal – driven by the executive team – or more likely it is an employee who spots the opportunity and is the evangelist that initiates it.

### Phase 1: Idea

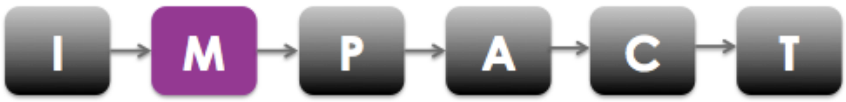



*The identification of ideas for changing or improving a business that are good enough to warrant investigation.*

This is the ideas phase. This may be the executive team going on an offsite with strategic consultants to plan its future. They will be looking for ways to grow revenues, create competitive advantage, increase shareholder value, contain or reduce costs. It is ‘blue sky’ thinking to discover breakout ideas, rather than looking for solutions.

Alternatively, it is a vendor who has the idea and through their marketing (white papers, conference presentations, blogs) highlights the new idea and it is brought to the attention of the customer, either directly or via a consultant or analyst.

## Phase 2: Mentor

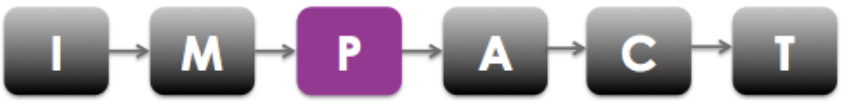



*The mentor runs with the idea to validate it.*

To move forward the idea will need a mentor. This is your Early Adopter, to the left of the chasm. An Early Majority buyer will not even consider the idea, as it is unproven and risky in their minds. A good mentor is someone with vision, passion and energy. Generally they are ambitious. The idea is not for public consumption and the mentor will work with their close team and trusted advisors to validate the thinking. The mentor will be scoping and testing the idea for feasibility, credibility, and political acceptability as much as they can without raising internal awareness. Mentors may start using the internet for research – analyst reports, blogs, articles, vendor white papers, free ebooks and references in social media posts. They may come back to the vendor who started it all. The mentor will start to plan how the idea can be delivered as an initiative, how it will be announced, what will be presented and to whom, and a route through the political maze.

If the idea does not fly then it will get buried – forever.

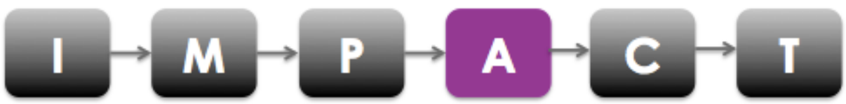
## Phase 3: Position




*Enrolling a sponsor who can make resources and budget available to invest further.*

The mentor will need to find a sponsor, because to move forward into the next phase will require resources (money, people, time) to run a pilot project to assess the value of the initiative. The sponsor will be the person with enough political muscle to get the resources. This may be under the corporate radar, as it will not be announced as a formal change initiative, with all the politics that this entails. The mentor will know that the initiative is moving out of the Position phase when an assessment team is assigned and money is being spent and a pilot project has been launched.

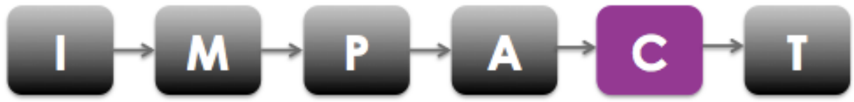
## Phase 4: Assessment




*Gathering data to assess the value of the idea.*

The Assessment phase plays a very important part in the modern world. Today, with ever increasing levels of corporate governance, there are layers of compliance that ensures company officers are held accountable for their decisions. Particularly ones involving investment and strategic direction, which has made the Assessment phase a big hurdle. But the Assessment phase is not just about cost justification. It is an evaluation of everything, both quantitative and qualitative. This typically involves an assessment team or project team conducting a proof of concept or pilot project to generate the evidence and data. Hence, the need for a sponsor capable of funding the team. This is your paid pilot project. The pilot could be as much as $100k spent on product and professional services so don't just focus on the enterprise deal or think that this is just the first phase of the enterprise deal.

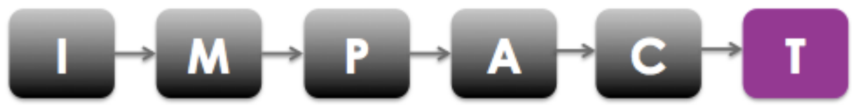
### Phase 5: Case




*The creation of a quantified business case and assignment of resources/budget to it.*

The mentor will use the output from the Assessment phase to build a business and investment Case. It is likely that this Case will then be pushed back and forth between the mentor and the sponsor until the sponsor is happy that the Case appears to support all the business and political goals. Then, the Case can have a budget assigned to it and is used to start the formal procurement process. At this point the project may no longer be in the hands of the mentor or sponsor. It may now be part of a formal procurement process driven by IT and procurement.

### Phase 6: Transaction




*The formal procurement.*

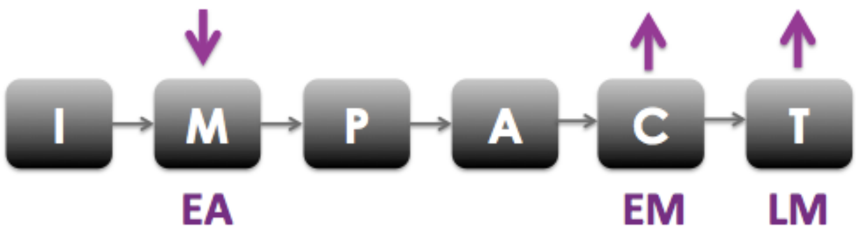
This is where the customer will make their decision. In the perfect world you are single source at this point, having managed the mentor and sponsor through the first five phases. Procurement will raise a purchase order and negotiate contracts for the solution put forward in the Case. Depending on the solution, market and company approach, procurement may need to drive a formal procurement with competitive tendering, beauty parades, and all the fun and games that this entails.

## When the customer engages with you in IMPACT

IMPACT is the process that the buyer goes through, and at some stage they invite you into the process.[4]

What is critically important is the point at which you are invited in, as it affects how you engage with the buyer. And that in turn determines the operational culture of your company – i.e. how you organize, run and measure.

There are the Early Adopters (EA) who are happy buying innovative solutions. There are the Early Majority (EM) who want to buy the market leader. And there are the Late Majority (LM) who want to buy a commodity at the cheapest price.  Here is where the buyer starts to engage in terms of the IMPACT process.




**For innovative solutions:** The Early Adopters are inspired when you or a consultant meets them and suggests an idea that reveals things to them that they did not already know. So the opportunity is generated by you when you connect with an evangelist in the customer at Mentor. That means you are working with the customer from Mentor through to Transaction. This could be many months.

**For mature solutions:** The Early Majority reach out to potential vendors when they have a set of requirements and a budget, They have built their own business case – at Case.  So you would work with the customer - procurement and IT - through Case and Transaction in a competitive procurement process.

[4] Most sales people are oblivious to the IMPACT process as they pitch and close customers

**For commodity solutions:** The Late Majority only makes contact when they are ready to place an order – at Transaction. This will be from the procurement team at the customer and will be a "sharpen your pencil and give me your best price" gig.

The customer goes through the full process, with or without you. Once you are invited in, you are with them on the journey through to Transaction, no matter how long it takes and how much effort is required from you and the customer. The only alternative is that at some stage the idea is shelved or dropped.

## Early-stage = Early Adopter

***If you are an early stage company with an innovative solution, then you need to be selling to an Early Adopter, need to be engaging at the Mentor stage, and will be working with the customer all the way through (hopefully) to the Transaction stage.***

You cannot simply jump to sell to the Early Majority to the right of the chasm for two reasons.

Firstly, there are not enough solutions like yours to "make a market" which is mature enough for the Early Majority to feel safe buying. Remember they buy from vendors who are validated as the market leader by Gartner, Forrester and other industry analysts.

Secondly, you do not have all the things in place that the Early Majority buyer needs, which includes:

- Validation as leader in space from Gartner, Forrester and other industry analysts
- Minimum solution functionality defined by the analysts
- Multi-lingual, multi-currency for each country supported
- Customer references in their market
- 24 x 7 support for all regions where the solution is offered
- Training programs
- Financial stability and strong balance sheet
- Implementation methodologies for their market
- Case studies of clients in their market
- Partner eco system in their market
- User group, events and annual conference
- and the list goes on.

And whilst selling to the right of the chasm is where the big money is made, by the market leaders – the gorillas – you are not yet ready for that fight[5]. Often, to the left of the chasm is the perfect place to build up a track record of successful and loyal Early Adopter customers, hone your marketing messages, develop your understanding about the solution strategy, begin to complete your solution, and build brand awareness and credibility.

## Matching your Operational Cultures

The operational culture determines the way your company is organized, managed and measured. It is your DNA; your processes, procedures and systems.[6]

Because the needs of the buyer types are so different, the style of engagement differs. This engagement style will determine the operational culture that is required to sell effectively to the buyer.

### Early Adopter – Value Created operational culture

If you are engaging with an Early Adopter, then the operational culture of your business needs to be what we are calling Value Created. You are working with the customer all the way from Mentor through to Transaction. Virtually all this work during M, P and A phases will be paid for; pilot projects.

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[5] Are you ready for the bloody, no holds barred fight to the right of the Chasm? Really?

[6] One of the greatest reasons for under achievement is a mismatched Operational Culture.

You will be able to see opportunities that the customer cannot possibly see, so the engagement is more likely to be initiated by your sales or marketing team through thought leadership marketing and industry insights. The customer will not be looking for a vendor because they probably do not realize that your solution exists to satisfy the requirement that they are only just realizing they have.

You need to find a mentor for your solution. You will need to grab the attention of the mentor with an opinion or insight. This is probably a thought leadership piece that is provocative and challenging. It is not a feature or function data sheet.

Early meetings will be a 'conversation of possibilities' and not a demonstration of solution functionality. As the engagement progresses, you will help the customer understand how to exploit your solution. This is through one of the many paid pilot projects to build a business case for the wider enterprise roll-out. Therefore you are managing pilot opportunities and the enterprise deal within an overall larger opportunity.

Your solution's existence is not well understood by everyone in the customer, which causes an unhealthy tension between the business and IT. The business side of the customer sees something that it wants to buy, with or without their IT department's blessing. There are few, if any, directly competing solutions and no third-party assessment. The market isn't sufficiently developed for the analysts to create a comparison matrix. Therefore, IT will be uncomfortable with purchasing your solution. They may even block it, which is why you need to keep it under the radar and away from them.

| ***Customer** attributes* | ***Your attributes*** |
|---|---|
| Picks potential winners | Business-focused |
| Intuitive | Consultative and visionary |
| Contrarian and risk-taker | Not driven by short-term commission |

## Early Majority = Value Added operational culture

The Early Majority buyer contacts you, probably through an RFI. So you are working with the customer from Case to Transaction. Any work earlier than Case will be free pre-sales consulting but will probably be banned by the customer's procurement team.

***The majority of established, mature technology is sold in this way. Staggeringly, 63% of all software revenue is split between Microsoft, SAP and Oracle who are selling to the Early Majority.***

The solutions in the market are well known and there is a broad understanding of their capabilities. They are rated and compared by the industry analysts. Therefore customers, once they have established their needs, are able to shortlist possible solutions. The really important thing about an Early Majority customer is that they have a recognized and quantified need, pain or opportunity, and have already secured funding for the purchase.

When selling to the Early Majority, vendors need to ensure that their profile is high enough so that they are contacted by the customer. This is driven by traditional advertising, marketing and engaging with industry analysts. The customer will initiate the engagement at the Case phase. The sales people will be trained in a classic sales methodology and will establish the pain points and handle objections. The role of the sales team is to qualify the customers and describe the solution in terms that will meet the customer's needs and be differentiated from the competitors. Whilst the customer is still at the Case stage, the sales people will have some flexibility to gather more information and differentiate their solution. Once the customer moves to the Transaction stage, there is a formal procurement with little or no flexibility.

| ***Customer attributes*** | ***Vendor attributes*** |
|---|---|
| Pragmatic and picks market leaders<br>Organized and disciplined<br>Decisive | Quarterly- or monthly-focused<br>Formal sales methodology and metrics<br>Competitively savvy |

### Late Majority – Value Offered operational culture

This is the simplest as the only engagement with the customer is at Transaction.

This is when the market is very mature and customers know what they want and all that is left to do is to decide what color it will be. This engagement is very much as it sounds. The role of sales is to get the product out there, and cover as much ground as possible with short, sharp engagements. The customer must be able to easily understand where the value is for them in the product, because there is insufficient margin for sales to explain anything beyond features and pricing. The leads will come from marketing and direct sales activity, which will probably be some kind of inside sales organization. The marketing angle will typically be price-to-feature leverage. Customers only want to deal with the market leaders, provided they are cost-competitive, so brand value and recognition is everything.

| ***Customer attributes*** | ***Vendor attributes*** |
|---|---|
| Strong negotiator<br>Cost-conscious/cheapskates<br>Structured procurement process | Strong, recognized brand<br>Efficient<br>Focused on margin |

## Value Created not Value Added

A question we get asked a lot is, "Which buying culture should I choose and which is the best?"

Firstly, ***you don't choose how you want to sell***. The customer, or rather the maturity of the market, determines the type of buyer at any point in time. All you get to choose is which market you want to sell into and how you react and organize yourselves – your operational culture. If you don't like that way of selling, pick another market.

However, if you have a disruptive and innovative solution, then the buyers are Early Adopters so your operational culture must be Value Created. If you are not sure what buyer type you should be addressing, then this section should enable you to decide. In fact, start with the assumption that you are selling to Early Adopters and then try to disprove it.

This is a critically important decision that needs to be resolved at an executive level and will mean involving your investors.

Talking to your sales management or sales team is probably not helpful. Normally your sales teams are applying their filter and history to their customer engagements so they are not a reliable source. Many – most – will not have heard of buying cultures or will pass it off as simply a "sales technique". Plus the little success that they are having, combined with a good pipeline, will lull them into a false sense of security. With no knowledge of buying cultures, their default mode is normally a Value Added operational culture because that is how "everyone sells".

So how can you tell? Perhaps the table below will help as it gives some of the clues that you are selling to Early Adopters. If you are hearing these responses from your sales teams, then you are selling to Early Adopters and are engaging at the Mentor stage[7]. The implications of each are explored in more detail after the table.

| ***Vital sign*** | ***The salesman's perspective*** | ***The real story*** |
|---|---|---|
| Market maturity. | It is great. We've no competition. We should clean up. | If the market has not yet matured, then it is an early stage purchase by an early adopter. The early majority will not want to commit. |
| Multiple buyers | It is not a problem. Everyone across the business, in every division, is interested. | If you need to get the support from multiple buyers for the purchase it is clear that this is not a formal budgeted procurement – yet. |
| Huge pipeline. | We're really close now. We've got so many companies about to sign. | When you start to challenge the pipeline, how solid is it? Is it clients who are just interested or who have budgeted projects? |
| Pilots, no pull-through. | The last pilot was a huge success. So much so, that they want to pilot in another area. | The last pilot didn't deliver the business case for full rollout. So you need another pilot to build the ROI. |
| Small incremental sales. | Most customers are not committing to large orders, for anything now. | You can always find small pockets of budget in a client under the radar. But you need to be building a case for a budgeted roll-out. |
| Forecasting sales closure is impossible. | It is so strategic that we just need to get one more person to agree the deal. | If you are not in a formal procurement cycle, it is you driving the timeline and doing the rounds to get buy-in, and not the client. |
| Brand not aligned with buying culture. | Our buyers don't really need to understand our website. | More marketing organizations build websites designed to sell product, not engage evangelists. This gives mixed messages to your early adopter buyers. |
| Are we a consulting firm? | The deals are flowing, it is just the software / services mix is off. | The software/services mix will not change until the market matures and crosses the chasm. Consulting led deals are sure sign that this is early stage / early adopter. |
| How interesting is your solution? | We've got a winner. Everyone we talk to is really, really, really interested. | Great thought leadership and innovative products engage buyers. But getting buyers |

[7] It is just the sales team do not realize and they see the vital signs through their "OTE fixated" rose-tinted glasses

| | | |
|---|---|---|
| | | interested is very different from solving a problem that they have where there is budget assigned. |

A little more detail is required on each of the points, so that you don't fall into the trap of taking an overly and unrealistically optimistic view - like your sales teams do[8].

## Market maturity

One sign is that there is relatively little (if any) competition. What we mean is that in the eyes of the buyer there is not a natural alternative that you are compared against. This means that you are rarely bidding through competitive RFPs to win the work. This also means that you are unlikely to be featured on Gartner's Magic Quadrant, Forrester's Wave, or whatever mechanism the industry analyst uses for rating and comparing similar solutions. To the Early Majority you are an unproven, risk and dangerous choice.

## Multiple buyers

Here is a rule of thumb; if the value delivered by your solution has multiple vested interests within the customer then your solution is Value Created. If the IT function doesn't have a requirements specification for a solution like yours, then it is clear. This is Value Created. If your solution needs sign-off from multiple business units or divisions in the organization and the most supportive buyer needs more senior-level support to purchase, then this is Value Created.

## Huge pipeline

This happens very often because the customer is trying to buy Value Created and your sales team is working Value Added. You read the sales team reports. There is no shortage of interest from customers. Except the same names keep appearing on the opportunities list and the forecasted close dates keep moving to the right. Nothing seems to close.  Or at least not enough to show a positive trend. Sales guys are starting to get frustrated or spooked. They are running out of their personal contacts so they keep busy with lots of initial customer meetings that appear to increase the pipeline. Customers keep saying, "Yes, we like the solution", but are not spending money.

Normally this is put down to poor sales people and "You just need some hard-nosed IBM or Oracle salesmen to kick some butt and close the deals." The problem is that when you start really digging into the forecasts, they just dissolve into 'small change'. The sales guys look at the potential revenue, their ability to hit their targets, the cost of the next car, house or boat that they want to buy and quit. They return to the safety of a large vendor with an established marketplace where their Value Added sales approach works a treat.

## Pilots, no pull-through

This problem is caused by the sales team thinking they are closing a big deal at Transaction when the deal is really a pilot at the Assessment phase. Good salespeople can get their customers to find enough cash for a pilot from a discretionary budget, but that is where it stops.

Paid pilots are good because it shows that your solution is worth investigating. But you need a business case for that enterprise deal that will enable you to scale profitably. That is what the pilot should be proving, but most sales people don't understand this. To them, a deal is a deal. The pilot is the first phase of the enterprise roll-out.

Eventually the initial excitement and interest in the customer wanes and that large profitable enterprise deal that everyone predicted and prayed-for never closes. Eventually you have to remove it from the forecast and suddenly the pipeline looks pretty empty.

[8] Call me a cynic, but that is what an optimist calls a realist

## Small incremental sales

Maybe you get beyond a pilot into a small implementation. This is really only splitting hairs. Pilot, small project, Proof of Concept. Just words. Unless you are being positioned for the enterprise roll-out in the customer as part of a formal procurement process, then it is all the same thing. Every new project in a different part of the same customer requires the same sales effort as starting a new customer. So, a high cost of sales for relatively little revenue. This is the same as the 'Pilots, no pull-through' point above except the pain is slightly less intense, but goes on for longer.

## Forecasting sales closure is impossible

The biggest issue for any executive team and sales management is the inability to predict the future. Without a good handle on future sales, any planning and decisions about investment and growth are worthless. This is tied to the 3 previous points; huge pipeline, pilots but no pull-through and small incremental sales.

The issue is clear once you think about the IMPACT process.  If you are making smaller sales then these are the pilot projects to assess and prove the viability of your solution. This is in the MPA part of the IMPACT process. You may run a number of these MPA projects before there is sufficient evidence to build a case for the enterprise roll out  - the CT part of IMPACT. When we say "smaller sales", these can still be $100k or more, so significant for your survival, but they are not the enterprise or global deal.

So if you are in MPA, then **you** are driving the deadlines, not the customer. You are not in a customer's procurement process. Therefore it is impossible to predict a close date for the deal.  Only once you reach the CT part of the process are you in a procurement where the customer has set deadlines. Then you can start to have confidence in the forecasted sales.

Knowing IMPACT will not help you get better closure confidence on the MPA deals, but it will help you understand why you can't, so you can stop beating yourselves up.

## Brand not aligned with operational culture

Do your customers seem confused by you? Operational culture is a huge part of your brand equity. If the sales behavior you are exhibiting is not 'on-brand' then you will be confusing your customers. If all your marketing says that you are innovative (Value Created), but every touch point with the customer is to talk about a solution purchase (Value Added or Value Offered), then this is delivering mixed messages to the customer. You are not selling how they want to buy. They want innovative thought-leadership thinking – consulting  - and you want a software license order.

## Are we a consulting firm?

This is probably the question asked most frequently in executive and sales management meetings. There is a fundamental difference between the professional services delivered in the Value Created vs. Value Added operational cultures:

Value Created = Management consulting leads to software license sales

Value Added = Software license sales leads to implementation consulting

With this in mind, you can see why the pilots at Assessment have a higher proportion of consulting compared with software. And this is compounded by a SaaS delivery model, as the license sales are an even lower as a proportion of the overall deal.

This also shows you what type of partners you need to be working with; management consultants, not VAR or distributors.

## How interesting is your solution?

Now look at your activity. Are you having lots of meetings with loads of interest but no sales? Now you could be cursed by an interesting solution. Do you have a really cool, clever, neat solution that is looking for a problem to solve? If you do, then you have a bigger problem than the wrong operational culture.

## Do you have the wrong Operational Culture?

You need to grow the company to the left of the chasm, selling to the Early Adopter, so you are positioned to be the market leader when the market matures and the Early Majority is prepared to buy. That means that you need to build a company with an operational culture that is optimized for the Early Adopter buyer.

If you can align the core processes of the entire company to the correct operational culture, you will be able to drive sales more effectively. That means you will be more efficient. The biggest issue with being innovative and to the left of the chasm is the cost of sales and the cash burn that this imposes on the company.

What is different about the Value Created operational culture is that the sales team aren't the only ones involved in the sale – no matter how much they may think they are. In the Value Added world the sales guy is king[9], bringing the big deals. But in a Value Created world:

- Marketing has a critical role in positioning and communicating innovative insights
- Pre-sales consulting needs to be attuned to the customer needs
- R&D needs to be responsive to new functionality requests
- Delivery consulting and implementation partners need to be on the same page, etc etc.

The whole company is involved. The only functions that are innocent bystanders are HR, IT, and Finance.

[9] And is happy to tell you at every opportunity

The table below should help you understand how different the operational culture feels like for a Value Created vs. Value Added company. Can you see your company's operational culture and that you are misaligned?

| *Attribute* | *Value Created* | *Value Added* |
|---|---|---|
| **Brand (How well established / known is the brand?)** | Quirky, alternative, and memorable | The safe, 500lb gorilla in the market |
| **Market (What state is the market?)** | Unformed and uninformed | Established |
| **Value proposition (What is the value to the customer?)** | Issue-focused | Feature-focused |
| **Product offering (What are you offering the customer?)** | Business solution | Technical solution |
| **Key channels (What is your route to market?)** | Management consultants | System Integrators (SI) and Value Added Resellers (VAR) |
| **Business development (How do we generate qualified leads?)** | Thought-leadership and outbound marketing | Traditional marketing machine leading to RFPs |
| **Customer (What is our relationship?)** | Empathetic and trusted advisor | Transactional and even confrontational |
| **Sales relationship (What attitude do they have?)** | Consultant or trusted advisor | Work rate and tenacity |
| **Sales contacts (At what level?)** | Executive | IT buyers, procurement |
| **Sales creativity (How innovative?)** | Proactive | Reactive driving through a sales funnel |
| **Sales motivation (What drives the sales team?)** | Long-term revenue stream | Responding to RFPs, short term commission |
| **R&D (Product design and manufacture)** | Incomplete product, but highly responsive | Better than the competition |
| **Business risks (What are the risks to the vendor?)** | Long-term revenue stream, burn rate | Win rate vs. competition |
| **Competition (Who is eating my lunch?)** | Often none | 500lb gorillas |

## You may have the wrong sales team

This is a fundamental question. A good way to understand the Value Created salesman is to compare him with his nearest neighbor, the Value Added salesman, against a whole range of attributes. If you have built a business that mimics the big established vendors and staffed it with sales guys from the big players, you have got Value Added sales guys, not Value Created. And the differences between the two are very stark.

We have seen very few top Value Added sales guys who have been able to change their deeply engrained behavior, reinforced by years of huge sales commissions[10]. Below are a few areas where they differ:

[10] They will also hate being in a Value Created company as there is less money to be made.

***What they say***

*Value Created:* "Let's discuss what you are trying to achieve. Do you have a whiteboard?"

*Value Added:* "Let me demo the product. It is awesome"

***Every meeting***

*Value Created:* … is a conversation of possibilities

*Value Added:* .. Is driving the customer so they have to purchase

***Sales and delivery***

*Value Created:* Works with customer to deliver results

*Value Added:* Sells, collects commission and moves on

***Commissioned***

*Value Created:* On total project value

*Value Added:* On product margin

***Most valuable attributes***

*Value Created:* Trusted, patient and persistent

*Value Added:* Hungry, driven and materialistic

***Greatest achievement***

*Value Created:* Sat on Steering Committee of last client project

*Value Added:* Bought Maserati with last month's commission

***How the customer sees them***

*Value Created:* Trusted advisor

*Value Added:* Just another vendor

***Where do they hang out?***

*Value Created:* Executive suite

*Value Added:* Customer reception

***How to get a deal to close***

*Value Created:* Nothing as there is no leverage

*Value Added:* Discount, lie and manipulate[11]

***Title on business card***

*Value Created:* Nothing

*Value Added:* VP Sales

I don't have an issue with Value Added sales guys. They are extremely effective in the right sales environment; selling to the Early Majority[12]. But they are a kiss of death to an early stage company. They will not be able to perform at a level that they are happy with, they won't understand why, and will get frustrated. It will be desperately uncomfortable and expensive for everyone involved. And then they will leave[13].

## Delivering on the numbers in the business plan

As we have said earlier, the biggest issue when running an early stage company with a burn rate when selling to Early Adopters is the inability to predict the close date of the pilot

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[11] Harsh but fair?

[12] Years of sales experience is irrelevant. It is years of relevant sales experience that counts.

[13] Push them out. It is for their own good.

projects. These make up the majority of the pipeline and are your lifeline. This uncertainty tears apart the executive team and drives the investors to distraction.

You can beat up yourself, sales management and the sales guys but it doesn't make any difference. You do not control the buying cycle and the customer has not committed internally to any deadlines. The projects are being pushed forward by your sales team and the energy of your customer evangelist and sponsor.

The moment that you realize that you cannot control the deals and therefore more and more granular forecasting is not going to help, then life becomes more bearable. So instead you need to rely on a different mechanism to ensure the long-term survival of the company.

You need to make sure that you have a large enough volume of sales in play so that enough will close each month. Combine that with enough investment so that you are not going to get killed if you have one bad month when enough deals don't close.

Remember, you don't really "lose" deals. There is rarely any competition. What happens is that deals get delayed and put on the back burner and can reappear later. The only way to really lose a deal is for your evangelist or sponsor to leave the company. The trick is to make sure that your sales guys are not devoting too much time and effort trying to push deals along that are moving slowly. Sometimes, deals need to be left alone so that the sponsor can progress them internally. Your sales team should be reactive rather than proactive. This is a very different approach for most Value Added sales guys who are very disciplined with their daily call lists that they use to hound customers.

## Running a Value Created company

Running a Value Created company is very different to a Value Added one – in pretty much every aspect.

However, that does not mean it is any harder – just different. And once you understand what is required it becomes far less painful. In fact, it is intellectually stimulating, very creative and at times fun.

What is REALLY HARD is running a company with Early Adopter (Value Created) customers, but working in a Value Added way. No matter how good you are, how much analysis you do, how hard you work, you do not get results. And it seems baffling. And that is so frustrating. The moment you understand what is happening in the customer - the IMPACT process - and get alignment, then it suddenly becomes so much clearer. And easier. And fun.

Alignment to the customer's buying culture is pretty fundamental to corporate strategy. When you are starting up it is THE critical decision, because no sales equals death or a VC-funded slow death – but death nevertheless.

Orienting your company around a Value Created operational culture touches virtually every area of the company. Here some of the critical issues that each area needs to resolve:

### Executive

- **Leadership**; Do you have the nerve to transition to a Value Created operational culture? Hint: Making these tough calls is your only job.
- **Proposition and brand**; It is all about thought leadership, smart people and an innovative solution. It cannot be product, product, product.
- **Business model / business planning / investors**; The big money pours in when the market changes to Value Added and you are the gorilla.
- **Key Performance Indicators and metrics;** It is more complex than the standard CRM solution metrics and bolt-on marketing machine.
- **Sales forecasting;** Tricky as we have said before.

## Marketing

- **Approach**; It is establishing the brand, culture and personality of the company as an innovative thought leader.
- **Customer engagement;** Capturing their attention by nailing the issue that keeps them up a night and providing a creative solution.
- **User Groups and events**; Customers are out on a limb, so they want safety in numbers.  Provide a support group.
- **Top 50 influencers;** You are looking for evangelists. So who are their influencers? Look at analysts, bloggers, consultants and competitors.
- **Social Media**; The most critical weapon for building communities of evangelists and influencers. Turn customers into fans.
- **Public Relations;** This is a subset of the social media strategy and the press are way less important than the other influencers.
- **Analyst Relations;** Analysts are the MOST critical advocates for you. Period

## Sales

- **Sales strategy;** You should focus on industry sectors, but you cannot target named accounts as you need to find an evangelist in a customer to be able to engage. Not every customer will have an internal evangelist for your solution.
- **Hiring salesman;** The Value Created sales guy is a complex creature and tricky to find. But at least you now know what you are looking for.
- **Commission plans and incentives**; Commissions drive behavior, so is should be based on project value not product margin.
- **Opportunities;** There are multiple opportunities to be closed to get to the enterprise deal. So more complex than a traditional, transactional sales cycle.
- **Rushing through IMPACT to get to T;** Patience is rewarded. You need to build a bullet proof ROI to close the enterprise deal, but these early projects are paid consulting engagements. Don't give them away.
- **The extended sales force;** The evangelist is a powerful sales ally when supported correctly. But don't abuse their trust.
- **Partner ecosystem;** Consulting partners are tricky as they have a different agenda. Look for thought leaders and think of them as lead-gen rather than delivery.

## Delivery

- **Professional services;** You need your own pre-sales and delivery capability who are incentivized to get you to the enterprise deal with a strong ROI. You cannot rely on a consulting partner to do this.
- **Support**; This is an extension of professional services, so they provide implementation guidance, not just product support/help desk.

## R&D

- **MVP vs. Complete;** Understand the difference. Focus on a market sector will enable you to deliver an MVP more quickly and cheaply.

## Back office

- **HR/recruitment;** The early sales staff are a critical and scarce resource.
- **Cloud;** Running a SaaS solution reduces the barrier to selling pilot projects, but it further reduces license revenue compared to professional services.
- **Internal systems;** Everyone needs a single view of the customer; marketing, sales, delivery, support. They need to see opportunities, projects and support cases. This is a sophisticated cloud based CRM.

- **Finance;** Understanding the commercial model is critical. It is not a Value Added business so the KPIs will be different[14].

## Surprises in store

There are things to watch out for in the Value Created world that may come as a surprise to you. These are also discussed in detail in the book, but in summary:

- **The incompetent customer;** They don't know about IMPACT so try to be helpful and rush to T, only to get hammered by procurement and IT.
- **Too big an order;** Keeping below the radar so you don't get caught up in a formal procurement process is critical.
- **Pilot after pilot;** You may need to pilot in a number of areas to build a strong enough business case to get through procurement and IT scrutiny for the enterprise deal.
- **Swapping out your Mentor / Evangelist**; Eventually your mentor runs out of political capital or is seen by his company to be too close to you. Also you may need different sponsorship as you go for the enterprise deal. Prepare for that day by building a succession plan.
- **Maintaining momentum;** The enterprise deal is always at risk. Keep up the momentum through pilots and quick win projects. Find reasons to keep a (paid) team on site.
- **Managing risk**; The risk of the project being canned is when you move phase; e.g. M->P or P->A. You need to get to A where it is safest.
- **Creating a compelling event**; It is difficult to drive the sale. But look for use cases which are both important and urgent. Compliance is a great driver.
- **Sales Compliance vs. Sales Engagement;** Sales Engagement is a process or approach. Sales Compliance is tools and techniques. Fix engagement first and then provide the right level of compliance.

## Next steps

As the executive leadership and investors in the company, you are responsible for the overall performance of the business. Armed with these new insights into what is happening in your customers, what should you be doing?

### If you are the CEO and executive team

You only have a short amount of time, based on remaining cash, to establish what buying culture or behavior your customers exhibit and make any strategic changes to your operational culture.

Therefore, you should be assuming that you have a Value Created sale and try to disprove it. You have probably already hired a hotshot big-ticket salesman who is Value Added through and through. Therefore, you have a 'non-believer' in your midst. So any research about the market, your approach, and sales cycles needs to exclude them until you have firm evidence.

Once you've have established that you really are Value Created, it is time to educate the rest of the team on the approach. The best way is probably a face-to-face presentation or a workshop. Simply reading the book is not immediate and 'in yer face' enough to change some people's deeply rooted instincts.

The danger is that if you don't get this fixed now when you are relatively small, you may not get to be big – unless you are very well funded. Alternatively, if you do grow and start recruiting salesmen who are Value Added, and then you are simple prolonging the agony and eventual death.  You need to be ruthless and may end up sacking many of your sales people as their years of engrained Value Added thinking is impossible to change.

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[14] Value Created looks like a badly managed, out-of-control Value Added operation run by mavericks.

This is a strategic change that has profound implications on every area of the business; how you organize, the type of people you recruit, the way you measure and incentivize them, and how you manage the expectations of your investor.

## If you are an investor

The concepts in the book are equally important for investors but from a different perspective. Before you invest in a company, does it have the correct business model and operational culture? A pretty fundamental question. But simply asking the management of the company that you are about to invest in is probably not enough. So how are you going to validate that they have?

Clearly this is not the only due diligence. You still need to evaluate the management team, the solution, the market, and the competition. But now you have another lens or perspective that will make you ask some different questions throughout the due diligence:

- How attuned is the management team to the different buying cultures?
- Is the solution, or the target market for the solution, Early Adopter or Early Majority?
- Are the management and sales team hard-core Value Added or consultative Value Created?
- If there is misalignment between the company's operational culture and the market buying culture? Can you influence it to dramatically scale the company?
- What is the services to software mix?
- How solid is the pipeline and what is the split of pilot to enterprise roll-outs?

Once you understand the IMPACT process it is pretty easy to assess the buyers and company's operational culture. This will give you a clear view on their alignment and massively de-risk your investment.

You also have a portfolio of companies you have invested in. How many of the companies with great solutions are failing to meet the expectations you set when you invested? Have you and your management simply written them off as part of 'portfolio investing' - you get some stars and some dogs. Sometimes you cannot legislate which are going to be stars or dogs. So a good investor makes so much on the stars that the dogs don't matter to the portfolio.

What if that were not 100 percent true? You don't deliberately invest in dogs. You perform weeks of expensive due diligence to avoid the dogs. You hope to pick only stars. So what goes wrong? What if you could help the dogs become stars, just by applying the buying culture and IMPACT principles?

# Authors

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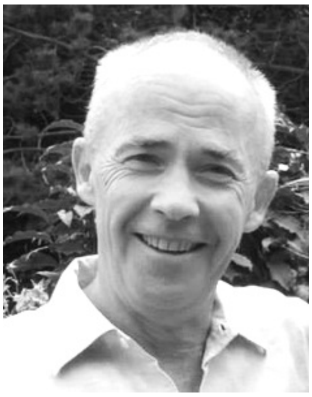

Dominic created the concept of Sales Cultures and their architectures and all of this he encapsulated in a simple process – IMPACT – and this summarises a world of understanding for business start-ups.

His consulting to businesses, ranging from start-ups to major multi-nationals, over the last 25 years was the foundation for his first book, Why Killer Products Don't Sell, which is aimed the executive teams of the global corporates who are struggling to get their innovative solutions to market.

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