

## The Art and Science of Creating Value



**CELEP<sup>a</sup>**<sup>TM</sup>  
S E A R C H



## Value Based Selling (VBS) Propels a Software Company To Market Leadership

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A global market leading enterprise application (EA) software company we know well, is on track to double the size of its 2004 U.S. license software business from \$500 million to \$1 billion - 100% growth. The company's license revenue had stagnated at \$500 million for the previous 5 years. Is this unprecedented sky rocket growth based on luck, good timing, a rising tide of economic growth in 2004? Upon close examination, the results reveal a unique Value Based Selling (VBS) go-to-market strategy was introduced and championed by the new U.S. CEO. The VBS initiative was conceived in Spring of 2003 and a small elite team was pulled together from the senior management ranks to design and engineer a new comprehensive robust go-to-market strategy based on creating value for their clients rather than competing based on best of breed, function-feature and price.

The initial results of the first quarter were very promising. They created an elite sub-team, called Value Engineers (VE), to help senior management identify which strategic deals would get top priority and lead the highly coordinated resources to build a business case and ensure sales success. The results were stunning. The elite VE team surprised senior management with much better than expected results. Working closely with the senior sales executives on 30 strategic deals they ended up with a 95% success rate. Indeed, the new CEO readily perceived additional benefits not originally contemplated from deploying a VBS approach. One potential client was so impressed with the company's VBS approach, that the original scope of the enterprise application software deal mushroomed from \$3 million to \$11 million and they were unexpectedly awarded a \$10 million IS contract. Happily, the deal was signed 6 months ahead of schedule because the client CEO indicated the value created for them, the business impact, was too important to delay.



***"The decision to join my company was simple: their commitment to value based selling is second to none. The future success of information technology companies depends on how well they can identify cross functional processes that are most broken in large organizations of all types - corporate, governmental, educational etc., and provide business solutions that enable customers' business strategies with the lowest TCO, lowest risk, and the quickest time to value.***

***Creating this type of value for customers increasingly will separate the winners from the losers. However, this requires a robust value based selling capability at an enterprise level; a sophisticated combination of skills and resources to deliver the requisite know-how. Today, there are only a handful of market leading global technology companies that have dedicated significant resources to building a VBS approach. My company has taken it to an entirely new and higher level – they are making it part of their DNA."***

*A Senior VBS Executive At A Global Enterprise Application Software Company*

The new CEO concluded that their VBS approach could do much more than help close deals. He imagined that a VBS go-to-market approach could have a profound effect on his company. If a small elite team could produce such impressive results, what could a well funded larger organization achieve? One that could cut through the organizational fiefdoms of the company—linking R&D, marketing and sales—and energize the company's focus on the demands of clients. He set out to build the most sophisticated VBS organization in the technology world.

Early in the 2nd quarter, he started talking about making VBS part of his company DNA. He believed that doing so would give his company a decisive competitive advantage in the short and long term. Their holistic VBS approach had definitively proved that focusing on business benefit creates client value. Their most important competitors on the other hand, still practice a go-to-market approach focused on product which creates price competition.

A VBS approach demonstrated it was achieving the following remarkable results:

- ⇒ Increasing the pipeline and accelerating the sales cycle
- ⇒ Closing deals with a much higher degree of certainty
- ⇒ Increasing revenue without discounting prices
- ⇒ Dramatically reducing SG&A
- ⇒ Developing strategic client relationships based on trust and client satisfaction

After four consecutive quarters of VBS, the company is decimating its competition. It has sustained a 90-95% successful closure rate. We know of one case where they dislodged one of their largest competitors from a 10 year relationship the competitor had with a major global beverage company. The CEO from the competition personally called his existing client indicating that he was prepared to virtually give away his EA SW in order to keep them as a long standing strategic client. The client responded by saying thank you but no thank you—that the decision was based on the value created by their competitor and not on price.



**What We Would Like To Tell You...*(beat the #@\*! out of'em!)***

*"Value Based Selling is much more than a small group of talented people that can build an ROI business case and apply it in a few sales cycles. It is a new model, a holistic way of changing your go-to-market strategy that touches everything from your product development, the marketing of your solutions, the positioning in each cycle and the services that go with the products. A laser focus on creating value for your customer should drive everything your organization does, it has to become part of your company DNA."*

*An SVP, VBS Organization At A Global Enterprise Application Software Company*

Our VBS team, (comprised of the nation's leading VBS thought leaders/practitioners and seasoned executive search consultants) knows from prior experience that if a company successfully adopts VBS best practices — strives to make it part of their company DNA— and their competitors do not, then they will beat the #@\*! out of'em! Understanding the needs and demands of your clients, providing them with products/services that solve their problems faster and better than others, with a laser focus on creating value is absolutely necessary to compete successfully in today's new market reality.

Recently we had an exploratory discussion with a Group Vice President, Sales at one of the top 3 global EA software companies. He confided, they were highly concerned about loosing significant market share to their largest

**Among its peers, SAP has invested the most in VBS in the shortest period of time.**

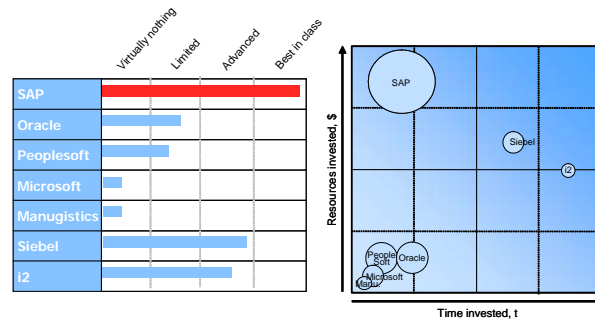


Figure 1.

competitor. We showed them analysis our VBS Practice had done on the top 7 EA software companies. (see figures 1 and 2)

Figure 1 showed that SAP had invested the most resources in the shortest period of time. In fact, SAP's VBS organization was ten times larger than the Group Vice President's company. He suggested that our analysis was too kind, that instead of limited VBS resources they had virtually nothing.



# The Art & Science of Creating Value

Our discussion around figure 2 hit a raw nerve. The Group Vice President revealed that he felt his company was not in a position to compete against the formidable VBS approach currently being practiced at SAP.

*"We are fighting with pee shooters against SAP with howitzers. No wondering we're getting the #@\*! beat out of us!"*

*Group Vice President, A Global Enterprise Application SW company*

When looking at 7 key performance indicators (KPIs) critically important for competing successfully in the marketplace, SAP scored the highest. SAP was the only EA software company to score a 10 in every KPI category. In our view, they are best in class and the benchmark for VBS best practices. Our VBS consultants considered the following KPIs: increased sales pipeline, success rate, increased revenue, increased deal size, sales cycle acceleration, and stronger client relationships.

**SAP America is the clear leader in optimizing VBS resources. As SAP continues to aggressively roll-out VBS across the entire company, they rapidly gain market share in the highly coveted Medium Small Business segment, Public Sector and global 3000.**

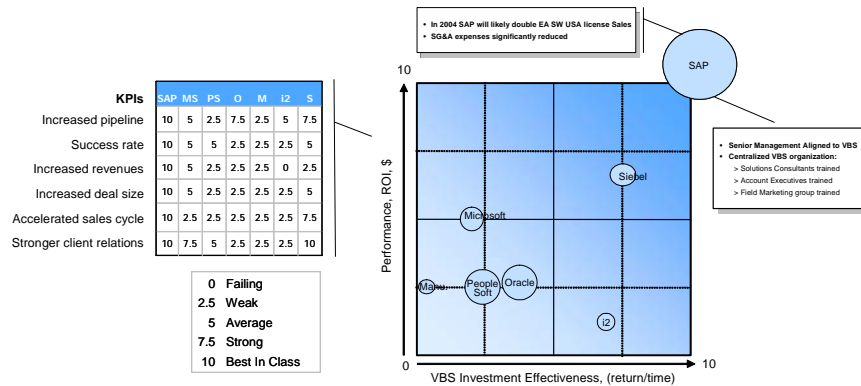


Figure 2.

Further detailed discussions around this slide confirmed his worst suspicions. "We are fighting with pee shooters against SAP with howitzers. No wonder we're getting the #@\*! beat out of us!" We have had similar discussions with numerous senior managers from leading EA software companies. Considering today's exceedingly competitive IT environment, they are awestruck by SAP's high growth performance. They ask the fundamental questions: What are we doing wrong and what are they doing right? What do we need to do to compete on a level playing field? How can you help us get from here to there?



## Consider today's hyper-competitive environment

### Focus on product creates price competition

Since 2001, too often, companies have seen their price margins drop precipitously. Service offerings across the entire technology spectrum have become commodities because they have not been able to develop truly differentiated go-to-market strategies.

Figure 3 illustrates the "zero-sum" conundrum when a client operates within the framework of purchasing a product - executing a transaction based on price and performance of functions and features. In this scenario, every dollar saved by the client is a dollar lost to the vendor.

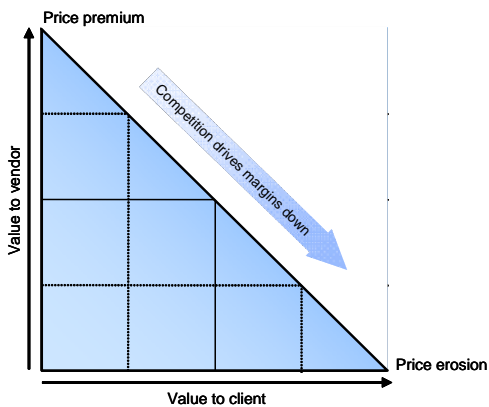


Figure 3.

In this scenario, the client does not perceive the value created by the vendor. Reversing the tables, requires that the vendor communicate the value created for the client in order to command a higher price premium.

A great deal has been written about the malaise of today's post .com marketplace especially for technology companies. Competing in a hyper-competitive environment characterized by a sharp decline in demand and prices for their products and services—a shocking reversal after decades of high growth, rapid innovation and wealth creation— has been a huge challenge even for the best and brightest companies. Since 2001, the decline in demand for technology and services and the subsequent price erosion and commoditization of technology has vaporized over a trillion dollars invested during the run-up of the 90's.

It is no wonder that decision makers, it seems across the board, have lost their self confidence. Collectively everyone's ability to move the ball up the field seems to be stuck in slow motion. The pendulum in corporate America has arched to a position of extreme caution. Corporate decisions are based on flight to quality, capital efficiency and cost containment. The buying habits of clients are now controlled by pragmatists and conservatives. The debate about the future health of the technology marketplace has two opposing schools of thought:

**"The economic slowdown forced companies (buyers) to reign in their overall IT spending. Contrary to projections of a near-term return to growth, we see indications that IT spending will remain flat or even shrink."**

Source: Reinventing IT Services, McKinsey Quarterly, 2003,#2

We take a more sanguine view of the coming next 5-10 years. We believe IT is fundamentally a growth industry because it underpins corporate productivity and performance which leads to growth.

**"IT is the vehicle by which you turn ideas and content into intellectual property products. As a nation and as a company, you either upgrade your IT infrastructure or you won't be competitive."**

Craig R Barrett, CEO, Intel (NY Times, 5/16/03)



## Focus on business benefit creates client value

Adopting VBS best practices, like the EA software company on page 2, focuses on creating value for the client. Price, best of breed and function/features become tactical issues. At the "C" level, executives are seeking to develop strategic vendors that can help solve intractable business problems that enable their business strategies to remain competitive, increase productivity with less inputs, improve customer service, control quality and costs.

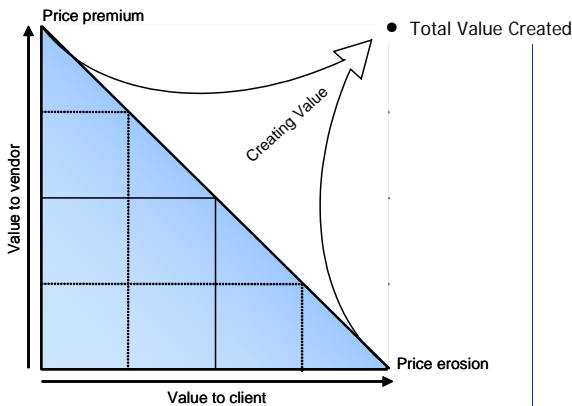


Figure 4.

Figure 4 illustrates what happens when a vendor creates value for a client. In this scenario, both the client and the vendor win. As the client realizes more value, the vendor improves its competitive position in the vendor/supplier value chain without price discounting.

The challenge of succeeding in today's environment is further exacerbated by emerging disruptive trends that pose both significant threats and opportunities to incumbents and new market entrants. The competitive landscape will be transformed again with a new generation of winners and losers. Some major trends include:

- ⇒ the emergence of products offering equivalent value propositions at lower prices; examples: Linux-based servers, networked "Wintel" machines that provide supercomputing capabilities at a fraction of the cost of systems built around prior architectures, switches that substitute for high-end routers in enterprise networking, and modular network-attached storage systems. <sup>1</sup>
- ⇒ increasing competition on a domestic and international level: off-shore players with very low factor costs—especially labor—are becoming increasingly competitive. Many of these companies, such as Huawei in communications equipment and Wipro and Infosys in services, offer value propositions almost equivalent to those of their U.S. rivals at a fraction of the cost. The market for offshore IT services provided in India is growing by 40 percent a year in an otherwise flat global market. <sup>2</sup>
- ⇒ shifting international market opportunities: The Wireless/Mobility era is driving a decade of vertiginous transformation. The leading mobile markets are in Europe and Asia. The most innovative communications carriers are in Korea and Japan. Consumer electronics are increasingly manufactured in Taiwan and China. The 21<sup>st</sup> Century will be the Chinese Century—they have the largest potential market, and the world's fastest growing GDP.
- ⇒ new business models: The globalization of outsourcing and off shoring and new business models such as utility computing, and data center virtualization will drive prices down.

It is not all doom and gloom. IT has evolved through four distinct eras: 1) Mainframes, 2) Client/Servers, 3) Network/Internet and 4) the current era of Wireless/Mobility. The infrastructure required to create a Wireless/Mobility world is an enormously complex matrix of Operating Systems (OS), phone form factors and carrier networks. There are roughly 1.3 billion cell phone users to a high estimate of 750 million installed PCs. Add the potentially billions of micro devices that will ultimately be networked during this wireless mobility era, and one can begin to imagine IT as a robust growth business again.

In the interim, the winners will be companies that have business models that create value for clients by helping them cut their costs and deliver measurable business impact. In this less forgiving era, when clients spend less and demand more, sustaining leadership in today's market is increasingly difficult.



## The Celera VBS Team = VBS Strategy + Executive Search

*"Today there are only a handful of technology companies that have dedicated significant financial and human resources to building VBS organizations. Celera Search knows what it takes to design a high impact VBS organization as well as identify and attract the highly sophisticated talent necessary to build them."*

*SVP At A Global Enterprise  
Application Software  
Company*

*"Dynamics in the technology market have dramatically changed the way in which a company interacts with customers and prospects. It's all about sensing and adapting to the market faster and better as well as assuming responsibility for driving value in customers operations. As we adapted to the new paradigm of Value Based Selling it was clear that Celera Search -- "got it". Their VBS practice is clearly the leader in understanding this new business paradigm -- both the challenges and the requirements to execute the change in an organization. We have clearly reaped the benefits of this transition with Celera's support. In the very near future, technology companies that embrace VBS best practices will consistently outperform competitors that do not."*

*VP At A Global Enterprise  
Application Software  
Company*

The Celera Search Value Based Selling practice is ground breaking and unique in the marketplace. Celera Search is the only firm that provides a value based selling service combining strategy consulting with senior level executive recruiting. We design and build high powered VBS organizations for market leading global technology companies. Celera Search serves only one global client per industry segment.

The consultants and senior industry executives of the Celera VBS team hail from some of the nation's leading technology companies, top tier strategy and executive search consultancies. Our VBS team represents the nation's leading practitioners and thought leaders in this highly specialized field.

Celera Search has captured the experiences and best practices of decades of pioneering quantitative and qualitative research and field work of value based selling. We look at all the key elements of your go-to-market strategy. Leveraging the expertise of our VBS team, together we design and build your VBS organization. We utilize ground breaking thought leadership around extensive benchmarking, best practices in proven value drivers, TCO and pricing models, best practices of organizational strategy and build your team with executive search to achieve market leadership.

Our strategy work focuses on:

- ⇒ Re-engineering go-to-market strategies
- ⇒ Organizational strategy to drive growth optimizing
  - ⊕ R&D
  - ⊕ Marketing
  - ⊕ Sales
  - ⊕ Services
- ⇒ Best practices to reduce SG&A and COGS

We specialize in building market leading technology companies.



## Why Celera Search recruiting is important for technology companies

*“Celera Search has already established itself as one of the best speccompanies. Under Grant's leadership the firm has access to excellent candidates and has met or exceeded expectations every time we have engaged their services. I have found that Celera knows how to strategically target and attract the best executive talent. Celera Search really delivers.”*

*Jeff Cunningham  
Managing Partner  
Schroder Finance Partners  
former President Forbes, Inc.*

The Celera VBS Practice is a gateway to the world's leading technology companies. Because our VBS services require top down sponsorship, our executive search consultants have relationships with senior level management at numerous global market leading technology companies in the telecom/datacom and IT hardware/software spaces. A select group of market leading technology client companies apply the benefits of VBS best practices for R&D, marketing and sales management as well as the recruiting synergies from our hybrid business model (strategy + recruiting).

Our firm's extensive network of industry executives reaches into thousands of key decision makers at most of the world's leading technology companies. Because we only work with a small group of clients, we have relatively few “off limits” restrictions.

Celera Search creates value for our clients in the following ways:

- ⇒ Deep subject matter expertise accelerates and improves quality of recruiting
- ⇒ VBS best practices are highly sought after by companies seeking to grow
- ⇒ The executives we recruit are considered the best and brightest
- ⇒ We are experts at building high impact organizations — based on our strategy-recruiting model — we know what it takes to build high performance organizations from R&D-Sales
- ⇒ We help our clients create value

***Everything we do is focused on creating value for our clients***

# The Art and Science of Creating Value

## **References**

1. *McKinsey Quarterly 2003, Number 4 , What High Tech can learn from slow-growth industries*
2. *ibid*

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**Celera Search** is a premier organizational strategy and executive search firm comprised of 35 top tier strategy consultants, executive search professionals and software technologists in the USA and India. The firm specializes in providing Value Based Selling organizational strategy and recruiting services for industry leaders and Venture Capital firms in IT (hardware/software), Telecom/Datacom, and Life Sciences. Celera Search consultants have deep domain expertise advising and building senior level general management and technical teams across all functional areas.

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