

## Making Value Based Selling (VBS) Part Of Your Company DNA

### If You Are Not Using VBS Today...Read On

The torrid pace and brutal competition of today's technology marketplace continues to raise the bar: go-to-market strategies have become increasingly complex and successful execution is overwhelming sales people and managers. Today's selling environment requires a new more robust skill set – a better understanding of the client's business model, the ability to work collaboratively within and beyond the four walls in order to solve business problems and sell solutions.



*The solution gets sophisticated -*

*- the sophisticated get the solution*



## Engaging C Level Executives With A VBS Approach

A recent study conducted by McKinsey interviewed 70 CEOs regarding their views on purchasing and implementing technology. The study revealed that technology providers do not do a good job aligning CEO's business imperatives with technology initiatives providers are trying to sell. CEOs also attribute the gap between expected and actual performance to insufficient involvement with their business unit leaders. Today's malaise for technology providers is further complicated by the current capital constrained and hyper-competitive environment responsible for eroding prices and commoditizing solutions. In a prior article, "The Art And Science Of Creating Value", Spring 2004, we introduced the concept of Value Based Selling (VBS) a new holistic go-to-market approach capable of driving spectacular top line growth.

While VBS is currently practiced by only a handful of market leading global technology companies, very soon virtually all major global technology companies will seek to embrace VBS best practices as they re-engineer their go-to-market strategies. VBS successfully solves the current lack of alignment between technology providers and business unit leaders. VBS creates a platform for business executives to engage in the selection process of acquiring new technology solutions. VBS identifies business problems and in a collaborative partnership evidences how technology can become an enabler of business imperatives. Going forward, the competitive difference will be this collaborative business relationship and value based selling will become the mainstay in large technology transactions.

The most direct way to engage the business executive in the selection process of acquiring new technology and services is, to enable their business strategies and help them solve their business imperatives. While this sounds sensible and desirable, it is beyond the reach of the vast majority of technology companies today. Fielding a robust VBS go-to-market strategy requires the unwavering commitment from senior management, a clear strategic vision, capital and above all else, a deep bench of highly sophisticated human capital well versed in VBS best practices.

The last economic downturn dramatically changed the way companies address capital expenditures as well as strategic technology investments. Foremost, CEOs and business unit leaders expect technology providers to drive alignment between business imperatives and technology

### Today's VBS marketplace

*"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. We have clearly reaped the benefits of our value based selling transition. 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*

### Holistic Value Based Selling

*"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."*

*SVP, Value Based Selling, At A Global Enterprise Application Software Company*



# Making VBS Part Of Your DNA

## The Global Technology Company of the Future

*"...big but fast; entrepreneurial and disciplined; at once scientific and market-driven; able to create intellectual capital on a worldwide scale, and to deliver it to a customer of one, this new breed continually learns, changes, and renews itself. It is tough and focused — but open to new ideas. It abhors bureaucracy, dissembling, and politicking. It rewards results. Above all, it covets talent and passion for everything it does."*

*Lou Gerstner,  
Who Says Elephants Can't Dance?*

initiatives. They also demand a rigorous process for capital appropriation. The ability of technology providers to develop a joint business-case is becoming critical to future success. Technology investments have to be driven by measurable business impact. This rigorous and disciplined approach transforms a company into a world class VBS ecosystem. This VBS transformation links sales, marketing, services and R&D establishing a strong connection with customers seamlessly feeding new technology into new business solutions.

In order to maintain a leadership position, technology providers must learn to develop and demonstrate mastery at managing and promoting the elements of the value proposition — aligning business solutions (R&D) to the client's business benefit — in all cases, creating value for clients. Technology providers must learn how to sell by creating value for

their customers. Demand for greater business impact from strategic technology investments is forcing providers to focus on deeper vertical solutions that have high business context.

Technology investments have to be aligned to strategic imperatives that can create a business value proposition that is clearly acceptable across the organization. Expectations of technology vendors are extremely high. A high level of problem-solving and understanding key business issues within an industry has become a critical part of the sales cycle.

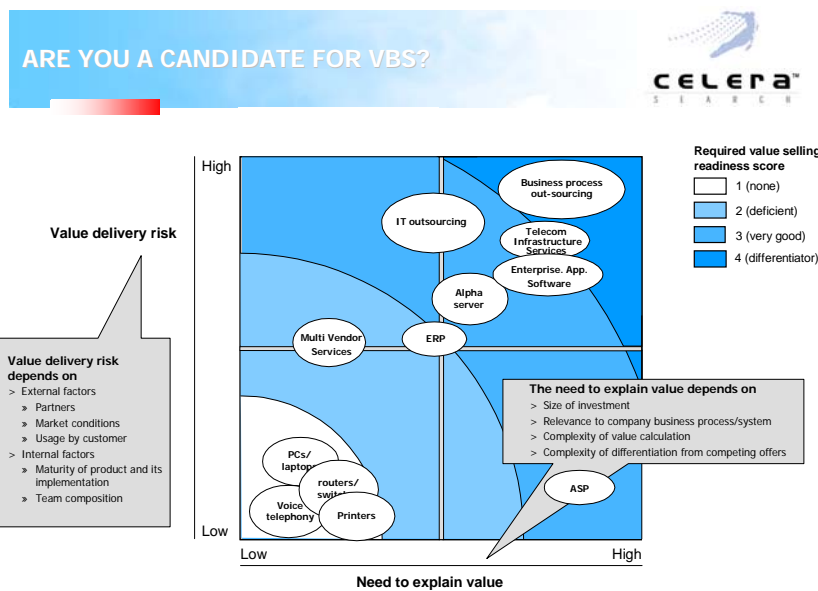


Figure 1

Source: Celera Search Value Based Selling Practice – Spring 2004

## Are You A Candidate For VBS?

Figure 1 illustrates that early adopters of VBS best practices are b2b companies that provide highly differentiated technology/services associated with high levels of risk.

**When the solution gets sophisticated the sophisticated get the solution.** Particularly in today's marketplace, companies need to understand how VBS best practices achieve compelling results when answering these questions:

*How do you create a sales/marketing environment that can increase the sales pipeline and close deals at a higher success rate?*

*How can you increase revenue without discounting prices and adding resources?*



## Making VBS Part Of Your DNA

*How can you consistently increase deal size?*

*How can you accelerate the sales cycle?*

*How can you develop stronger strategic client relationships?*

*How can you increase client satisfaction and ensure value creation?*

*"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, Value Based Selling, At A  
Global Enterprise Application Software  
Company*

### The Three Phases Of VBS

VBS is the art and science of understanding customers needs and providing business solutions that create value. When business executives become more engaged, the technology provider is closer to the key decision makers that influence and approve capital expenditures. With a VBS program, sales cycles accelerate and price erosion is contained.

Celera's VBS experts help global technology companies build high performance value based selling organizations. Our clients are market leaders in their respective industry segments. They have learned to excel at sensing and responding to the needs and future demands of their customers faster than their competitors. VBS strategy consultants identify barriers to growth, understand the environment and help execute change.

A successful VBS go-to-market strategy requires top down sponsorship from senior management. We recommend adopting a specific framework based on a combination of timing, methodologies, and best practices. There are three phases; 1) apply VBS best practices to immediately increase the sale success rate, 2) scale the VBS approach and 3) automate—make VBS part of the company DNA.

### Phase 1—Immediately Increase The Sales Success Rate

Focus on quick wins. We help clients monetize existing deals in the pipeline with the highest level of certainty, accelerate the sales cycle with no price discounting. In order to achieve success in the first phase (monetize quick wins), the senior management team, sales leadership and the Celera VBS Team need to reach consensus for the following set of questions:

*How can you consistently outperform your competition?*



## Making VBS Part Of Your DNA

*Do you understand your customer's business strategy, market forces and financial situation?*

*Do you know which sales battles to pick? How do you know you can win them?*

*What methodologies and tools - a reliable quantifiable framework- do you use to focus your limited resources to win sales deals?*

*Do your sales people have the answers to your client's most challenging questions?*

*Do your marketing and product design people talk to your sales force? How are they linked to effectively communicate the customer's needs?*

*How can your sales people not only sell harder but more importantly smarter than ever before?*

*Do you have sales people that can consistently turn issues away from price and compete by creating solutions and value for your clients?*

*Do you have industry-specific solutions and industry-knowledgeable consultative salespeople?*

*Are you creating demonstrable quantifiable value for your clients?*

### IBM's transformation

*"Everything at IBM would begin with listening to our customers and delivering the performance they expected...**Win**, the marketplace is the driving force behind everything we do. Success in a company comes foremost from success with the customer, nothing else. **Execute**, in the new IBM, successful people would commit to getting things done — fast and effectively. **Team**, this was a commitment to acting as one IBM, plain and simple. I declared war on geographic fiefdoms...I came to see, in my time at IBM, that culture isn't just one aspect of the game — it is the game...**No enterprise will succeed over the long haul if those elements aren't part of its DNA.**"*

*Lou Gerstner,  
Who Says Elephants Can't Dance?*

Once we understand the relative strength and weaknesses of a client company, including the gaps in the organization needed to close deals with an increased level of certainty, we embed a Celera VBS team in the deal closing process. We look at all the key elements of the current go-to-market strategy. We leverage the expertise of our VBS team, utilizing ground breaking thought leadership around extensive benchmarking, proven value drivers, TCO models, and best practices of organizational strategy to win deals. We do not rip out and replace the existing client organization. Rather, we collaborate with the best and brightest of the client company, together we begin to close deals at a markedly higher success rate than before. This entire process is precisely calibrated, benchmarked, and quantified. The clients' ROI is earned back, several times over, on the first strategic win. Quickly monetizing strategic deals in the pipeline compels senior management to green-light phases 2 and 3—making VBS part of the company DNA.



## IBM's R&D connected to customers

*"On average, IBM researchers spend about 25% of their time with customers compared with 3% to 4% as little as eight years ago...many economists agree that the only way to stay ahead is to be very, very quick in turning intellectual capital into products and processes...by establishing IBM R&Ds connection with customers, IBM's researchers are seamlessly feeding new technology into new business solutions."*

*John Teresko  
IndustryWeek.com  
12/1/2003*

## Microsoft's Disconnect between R&D and Customers

*"When I asked a senior development executive at Microsoft 'when was the last time you visited a customer?' he paused and stated 'it was about one year ago when I was in Europe, the local office likes to take those coming from corporate out to meet customers when we are in town and show us off.' I then asked, 'How many customers did you meet?' he said 'two'.*

*I was shocked as this group was responsible for the next biggest Microsoft release 'Longhorn'. They were making decisions as to functionality, security, scalability, features, etc for their software with limited input from the user base...*

*Microsoft has achieved incredible success at the consumer level through distribution, but as they start to move into the enterprise market and higher level within corporations with their new products and services...they need to understand the customer and this is not happening. Value based selling starts with the premise of 'know your customer'."*

*An Enterprise Application Software executive that turned down an offer to join Microsoft in a senior development capacity*

## Phase 2—Scale The VBS Approach

Initiating phase two, scaling a VBS approach requires building a small cohesive VBS organization that will spearhead and manage a well defined holistic go-to-market strategy for the rest of the company. Before scaling a VBS organization one needs to consider some of the following key questions:

*Does your company have a holistic go-to-market strategy?*

*How does R&D understand the client's problems better?*

*How do you ensure that your commercial offerings (products + services = solutions) are linked to the client's needs? – anticipate the future trends in the marketplace?*

*Do you have the right types of collaborative organizations in place?*

*Do you have cross corporate mechanisms in place that facilitate cross functional communication in order to sense and respond to your clients needs?*

*In other words, how quickly do your different organizations e.g. Sales, Marketing, R&D, Finance, Legal, etc. respond to your customer's needs?*

*Do sales operations and field marketing have replicable scalable processes (decision tree templates and scripts) for delivering benefits maps, value propositions, product information and differentiators supported by ROI and TCO calculators to proactively uncover and drive future sales opportunities?*

*Do you have a sales organization that knows how to sell solutions rather than products?*

*How are you differentiating your solution and earning the trust of your clients?*

*Are your field marketing and sales operations reading from the same page? Are they trained in VBS best practices?*

*How do you design and build a VBS organization that can leverage and optimize your existing company's organizational structure whether it be or not be highly matrixed?*

*Do you build an overlay organization - a strategic business solutions group - that can marshal, streamline and optimize your go-to-market strategies?*

*What does such an overlay organization look like? What are examples of best practices in the marketplace?*

*Are they permanent organizations? Temporary? For what length of time?*

*What reporting structures need to be in place to empower and guarantee the effectiveness of the newly formed VBS group?*



# Making VBS Part Of Your DNA

*What approach would make most sense for your company?*

## Phase 3—Automate—Make VBS Part Of the Company DNA

Phase three, making VBS part of the company DNA begins once the VBS organization in phase two has reached a critical mass and has established a track record of early success. At this juncture, the critical success factor is buy-in from Sales Operations. At a global technology company we know well, during the first six months of VBS, the company achieved a +90% success rate. Virtually the entire senior sales leadership and the account executives got religion on VBS. They found that every time the VBS team was involved in their deals, they closed faster, without price discounting and with a degree of sophistication they and their clients had never seen before. In fact, for the first time in the history of the company, they closed three mega deals without demos. Considering the hyper-competitive nature of the current technology marketplace, it was

astounding to see that they were rapidly gaining important market share gains. Because they were dealing directly at the C level, solving their C level clients important business problems and enabling their business strategies, they started to land unsolicited additional business opportunities. We know of one case where the VBS team got involved with a \$3 million project that mushroomed into an additional \$18 million of new business.

As your company begins to experience success with VBS, the demand for applying VBS best practices across the entire corporation quickly outpaces the

VBS resources initially trained on winning large strategic deals. In other words, the opportunity cost becomes large and it is now time to make VBS part of your company DNA. What does this mean and what does this look like? How do you scale a VBS approach so that it touches every part of the company from R&D to Sales? - and drive your company to the next level of growth?

Making VBS part of the company DNA is the holy grail because it enables the company to grow to its fullest potential. Our VBS experts believe that most global market leading technology companies will commit

### Sophistication... Sophistication... Sophistication...

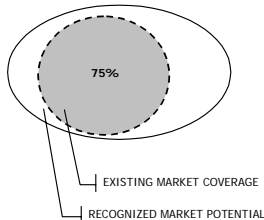
*"I believe effective execution is built on three attributes of an institution: world-class processes, strategic clarity, and a high-performance culture. Superb execution is not just about doing the right things. It is about doing the right things faster, better more often and more productively than your competitors do."*

*Lou Gerstner,  
Who Says Elephants Can't Dance?*

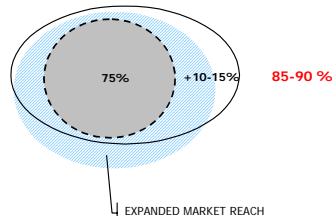
### EXPAND MARKET OPPORTUNITY



*Traditional Sales force and Go-to-market approaches built for mature product offerings...*



*... often limit innovative offerings that capture emerging market opportunities and require "value-driven" execution.*



**Increase market share and market reach through improved value delivery**

Source: Celera Search Value Based Selling Practice – Spring 2004

### VBS Drives High Growth

Figure 2: automating VBS—making it part of the company DNA— illustrates expanded market share through improved value delivery.

Figure 2





# Making VBS Part Of Your DNA

significant resources and capital to building the VBS capabilities they will need to make the total transformation from the successful companies they are today to the customer driven companies they will need to be to compete in the future.

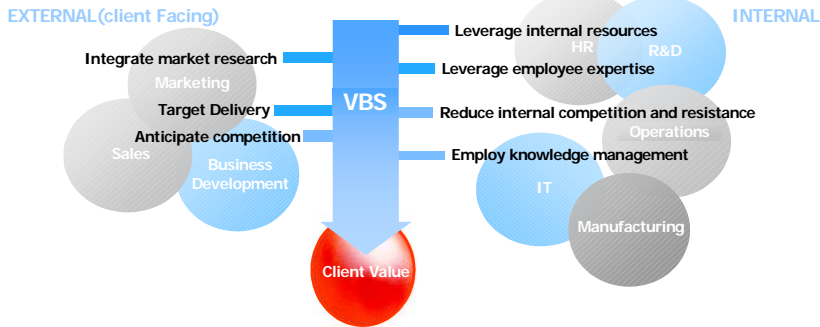
Consider a global technology company we know well. Currently in phase three, more than any other technology company in the world, they are making VBS part of the company DNA. The Chairman and CEO of the company has officially adopted VBS as a global best practice. The entire global sales force, field marketing, and subject matter experts such as solutions

engineers are being trained in VBS best practices. The company is investing and building the mechanisms needed to transmit make available the business intelligence, marketing materials, myriad tools and resources needed by sales, marketing and R&D to respond to the needs of thousands of customers faster than any of their competitors. For the first time in the history of this giant global technology company, they will be able to attack the small medium business (SMB) segment with unequalled ferocity.

## COORDINATED VALUE DELIVERY



Timely and effective coordination of all resources across functional units enables a more responsive strategy and drives competitive advantage. Aligning common shared activities with highly decentralized activities further optimizes the delivery of value.



*VBS enables a large company to be responsive like a small company*

Source: Celera Search Value Based Selling Practice – Spring 2004

Figure 3

Traditionally, they focused on large global multinational companies (MNCs). In the past, the sales force

could only focus on large strategic deals. While they had built a market leading company, this approach was highly customized and limited them to a relatively small finite number of deals in the pipeline. Not all business opportunities could get this level of attention. It was not scalable.

### Customer Driven

Figure 3: illustrates how large technology companies can respond to the market place with the agility of a much smaller company but with the resources of a global multinational company.

Now, because they are transforming to a VBS go-to-market strategy that automatically links the entire company's resources from R&D to Sales, for the first time the company has the potential to expand dramatically into new business territory. They anticipate being able to exponentially seed the pipeline, increase deal flow and successfully close new business. While today they can respond to approximately 100 strategic deals/quarter, by the end of Phase 3, they will be able to field thousands of proposals/quarter from more than 2 million potential clients in the SMB segment. The implications for potential new growth are staggering. In





## Making VBS Part Of Your DNA □□□□□□□□□□□□□□□□□□□□

the meantime, their competitors by contrast have not yet migrated to a VBS approach. If they do not catch up soon they run the high risk of loosing their current market positions.

The company's robust VBS strategy includes a customer focused approach that can respond virtually at the speed of light. Underpinning their holistic VBS approach is a knowledge management capability integrating R&D, Marketing and Sales activities with cutting edge business intelligence and proposal automation capabilities. Tracking, measuring and validating value created for clients closes the VBS loop creating a virtuous cycle of happy clients that are inclined to come back for more business.

As you begin to invest in phase 3, you need to make sure that you have the right types of people in the right places. This is where the transformation either succeeds or fails. If you don't have what it takes you will need to upgrade the level of sophistication throughout the company. At an elemental level you need to ask yourself:

*How do your people rank in your industry? Do I have the best human capital?*

*What kind of people do I need?*

*What types of skills and competencies must I emphasize and be seeking to find?*

*What would the precise blueprint for success look like?*

*How do I build a VBS company without disrupting what I already have in place?*

*Does this process create unforeseen personnel problems?*

*Do I have to rip-out and replace what I already have?*

*Ultimately, do I have the blend of talent in my company to create a value based selling organization – make it part of my company DNA?*

***The time to act is now...don't be left behind while those that have made VBS part of their company DNA continue to gain market share and excite their shareholders.***

# The Art and Science of Creating Value

**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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