A Sales Execution Strategy Guide for Technology Startups

Ian Gilbert and Stephen Davies

"Business is like war in one respect. If its grand strategy is correct, any number of tactical errors can be made and yet the enterprise proves successful."

Robert E. Wood
Business Executive and Brigadier General (1879-1969)

The majority of startups fail to consider sales execution as part of their overall strategy. This article demonstrates how a sales execution strategy can help a company take a product or service to market more efficiently and effectively by focusing on the customers that are key to generating revenue. Combined with techniques for recruiting effectively and measuring sales outcomes, a sales execution strategy helps technology startups exceed growth aspirations and potentially reduce or even eliminate the requirement for external investment.

In this article, we first describe the focus of assistance currently given to startups and the reasons why sales execution strategies are often overlooked. Next, we outline recommendations for developing, implementing, and supporting a sales execution strategy. Finally, we summarize the key points presented in the article.

Introduction

Entrepreneurs are exposed to a wide range of assistance and mentorship. Much of this help is focused on solution development and product-level commercialization. Both are important and are rightly fundamental to future investment decisions on the part of angels and venture capital companies. These two areas do not, however, offer a complete picture of sustainable entrepreneurial success.

Typically, startup organizations will "take a product to market" focusing on the technology with no attention paid to the actual execution of sales. Therefore, traditional product commercialization efforts often amount to little more than a "build it and they will come" approach to growth, which is about as effective as one would expect. Consequently, many companies are only modestly successful in their early growth efforts and seek structured external funding before fully exploring the opportunities afforded by their selling model.

Entrepreneurs are failing to achieve strong early growth despite the valuable and well-intentioned help that is available to them. Sales execution is under-emphasized by assistance programs and mentors, and yet value discovery, analysis, and creation, together with efficient customer engagement, are fundamental to entrepreneurial success. In this article, we suggest that startups are often not made aware of an additional critical element: a sales execution strategy.

Consider a typical entrepreneur: they know everything about the company's products and technology, but are unable tell sales strategy from sales execution strategy. The difference between the two is unclear for many. Strategy is what to do; execution is how to do it.

A sales execution strategy is a working document that contains a clearly defined set of goals, targets, and sales collateral that, if correctly implemented, will allow a startup to significantly scale sales. The sales execution strategy, implemented along the appropriate sales vehicle, will enable rapid and high-probably engagement with the target market while minimizing the cost of sales. In this article, we share our experiences as practitioners to examine the reasons why sales execution strategies receive so little attention, and we outline

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recommendations that leaders of technology startups can use to develop and support an effective sales execution strategy.

Why Sales Execution Strategies Are Overlooked

The technology adoption lifecycle (http://wikipedia.org/wiki/Technology_adoption_lifecycle) is a staple of marketing and entrepreneurial education. It suggests that the early majority and late majority categories of customers are the key to successful growth (Figure 1). These categories represent influential customers with issues that reflect those of their industry at large. Focusing on the early and late majority also helps organizations in "crossing the chasm" (sometimes referred to as "the valley of death").

The majority of early entrepreneurial efforts, both from a product development perspective and in terms of marketing, focus on creating products and messages that attract innovators and early adopters. Typical incubation efforts do nothing but reinforce this approach. Investors also look for commercial "proof", as validated by communities of technology adopters and experts. Very few take the time to rigorously explore the extent to which real growth is feasible through the mainstream market.

There are many internal and external reasons why sales execution strategies are under-emphasized in startup companies. Below, we describe three key barriers that hold companies back from recognizing and acting upon this gap:

1. There is a lack of available sales talent and sales leadership talent. Very often, the available talent pool consists of people who are experiencing the entrepreneurial world for the first time. With limited funds available, it is very difficult for startup companies to satisfy the remuneration expectations of high-performing ex-corporate leaders and sales professionals. Consequently, many young businesses end up with sub-par sales talent who have been schooled in the corporate approach to customer engagement, but who do not understand the nuances of executing in an entrepreneurial world.

2. There is a distinct lack of clarity and consistency among investors. Investors, of course, are multi-dimensional, and many do look for sales and marketing readiness as they explore the potential for investment. However, they vary greatly in terms of what they are looking for to evaluate such readiness. During the due diligence process, entrepreneurs tend to think it is in their interests to exaggerate their sales funnel and oversell their partnerships. This practice does tend to in-

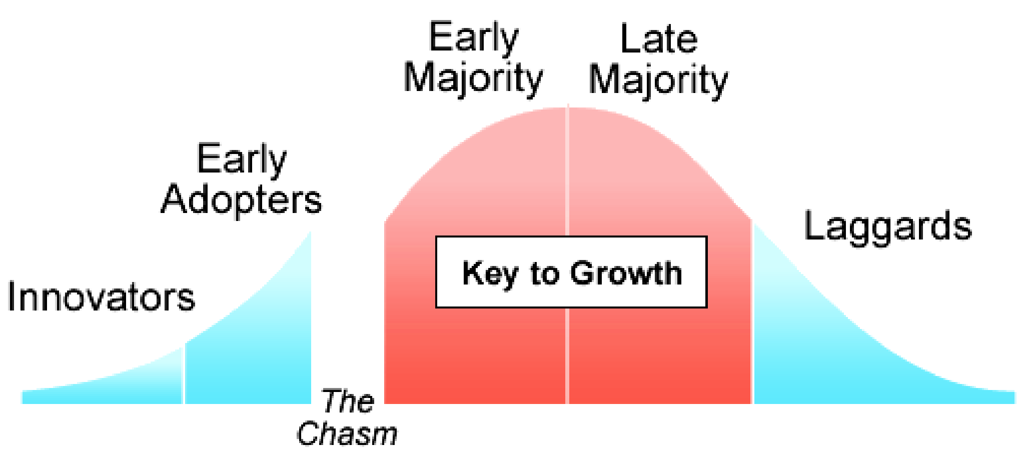

Figure 1. The Technology Adoption Lifecycle

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crease the likelihood of investment, but then everyone is confused when these companies later fail.

3. Startup operations are focused on feature development, not on scaling sales. To scale sales, a company must put product feature development to one side in favour of adopting an objective mindset to the metrics of growth. For most startups, operations are still focused on feature development and not on scaling sales. This demands a fundamental mind-shift so that the operations side of the business can better support the efforts of the sales team. Key components that are often missed are realistic product development strategies, lack of defined operations process, and poor subcontractor-developer relations.

Developing a Strategy

Selling is not telling. The most fundamental intent of a sales execution strategy is to create a systematic platform for discovery and analysis. A well-considered sales execution strategy should provide clear answers to questions such as:

- Who are the most influential customers in the target market?
- What are the poignant business issues that they face?
- What are the tactical problems that are created?
- How might the value proposition address these problems and what impact would it have?
- How motivated might they be to buy, given the value proposition?
- Who would they consider the competition to be?
- How would the customers perceive the difference between the startup and its competition?
- What would they be prepared to pay?
- How and for what would they pay?
- Who would they tell?

Developing a sales execution strategy also requires input from customers or prospects that have: i) significant problems they wish to solve; ii) genuine influence to purchase solutions; and iii) a willingness to tell their story. With input from customers, the answers to the questions above can help shape a compelling value proposition (the articulation of the value that your product or solution creates). Pilot projects also help in the development of a sales execution strategy, particularly when they are used to build reference stories. Returning to the customer over time captures the changing nature of their issues and the changing demands they have of the value proposition.

The sales execution strategy becomes a working document that contains the following information:

1. A clearly defined and tested product value proposition relating to the early and late majority customers in the market.

2. Tested price points for the product including quantity discounts.

3. Adaptive pricing options along the adoption lifecycle.

4. Clear competitor differentiation.

5. A set of sales collateral built on the above points and supported by testimonials from pilot projects.

6. A clear target profile of the early and late majority customers to aid in the tactical implementation of the product sales.

7. Timelines for product release based on a realistic product development strategy.

8. A clearly defined plan for ongoing customer service.

Implementing a Strategy

There are three major considerations that determine the most appropriate vehicle (e.g., in-field sales staff, call centre/reseller, or a web-centric approach) for tactically implementing a sales execution strategy:

1. The efficiency and appropriateness of the manner in which the prospect is accessed and engaged. The sales team should consider both the complexity of the decision-making process from the prospect's perspective and the seniority of the decision makers. The more complex the process and the more senior the decision makers, the more likely a traditional field sales model is appropriate, which may require partners who can help execute the strategy.

2. The price of the product and its strategic impact on customers' businesses. The lower the price and strategic impact, the more likely that the use of telephone sales professionals or resellers is appropriate. Furthermore, the use of digital media such as emails and online shops can also be helpful.

3. The scale of the market and the depth of relationships required to provide further context. The larger the market and the lighter the touch, the more likely that web-based lead generation and nurturing tools are required to automate and scale the approach used.

Measuring Results

The outcomes of a sales execution strategy must be measurable. Specific and robust targets need to be set based on the outcome of a rich set of outputs.

The quality and quantity of activity (e.g., emails, calls, customer meetings) provides the foundation for all performance. This leads to a pipeline containing the following:

1. Leads
2. Unqualified prospects
3. Qualified opportunities
4. Forecastable deals

These pipeline elements are interrelated and all should be planned for. For example, a company may start with the pessimistic assumption that 640 quality calls yield 80 conversations, which result in 16 leads, four of which become prospects, two of which become qualified, and one of which leads to a deal. Once the company has made a number of calls, generated leads, and closed deals, these statistics can be adjusted to reflect the specific market.

As described by one of this article's authors, building a relevant and workable sales process, including a sales funnel, is "perhaps the most important aspect of a successful sales strategy" (Davies, 2010; http://timreview.ca/article/386) and it is critical to be realistic. The temptation and usual practice is to inflate the numbers (which end up becoming real to both the company and potential investors) in order to attract external funding, but the likelihood of failure as a consequence is very high. To keep things "real", disregard opportunities that are really no more than conversations.

To further ensure the sales funnel contains genuine "winnable" opportunities, companies should also apply a simple qualification model. The simplest form of sales qualification model asks four simple questions for which the realistic organization seeks proof:

1. Budget. Does the prospect have access to sufficient funds to make this purchase? Can this be validated?

2. Authority. Does the "buyer" have the authority to make a purchase decision? Can this be validated?

3. Need. Is there a compelling business need for the product or solution? What is the specific value to the customer? Can it be verified that the need for a solution is meaningful to the customer?

4. Timescale. Has the timescale been established during which the need must be addressed? What are the specific steps and timings of the buying process?

Supporting a Sales Execution Strategy

When recruiting a sales team to roll out the sales execution strategy, we offer the following advice:

1. Market and domain experience is important but can easily be overrated. A big rolodex is much less important than most people assume.

2. Recruit for demonstrable competency and capability. Both of these attributes are predictors of successful execution. Behavioural interviewing (exploring past situations and the candidate's actions and analysis at the time) can assist in predicting probable future behaviours.

3. Take the time to role play. Ask candidates to walk through a selling conversation for their current company or product. Do they ask lots of questions or do they start pitching straight away? Do they have the capability to take control and build rapport or is the interaction forced and "salesy"? For sales leaders, can they elevate beyond sales theory and actually sketch out a sales execution strategy for the business?

The ugly truth is that only a small percentage of salespeople are top sales talents. By following the points above you will maximize the probability of hiring an individual that meets your requirements. It is

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also important to provide ongoing support to engage and motivate the sales staff. This will lead to higher performance from all staff, not just the top sales talent.

Sales staff also require a supporting technical infrastructure. Cheap tools (e.g., web tracking, email automation, and customer relationship management in particular) are so easy to acquire and implement that there is no excuse for even an unfunded business to be well-equipped to turn marketing efforts into real leads. The tools, of course, only tell half the story. It is up to the startup to implement with a degree of energy, and to be consistent (not perfect) in the utilization of the tools and in the analysis of their impact.

Summary

To rapidly grow sales, startups need to:

1. Focus on required product features that are meaningful to the early and late majority, not on features that only excite early adopters and technology enthusiasts.

2. Structure the company operations to enable quick and rapid scaling to support the sales team.

3. Develop a sales execution strategy that matches a value proposition to the early majority.

4. Roll out the sales execution strategy using real metrics (e.g., ratio of qualified leads to closed sales, average cost of closed won vs closed lost sales) that are appropriate to the particular market.

5. Recruit effectively (as described above) to maximize the revenue potential and minimize the cost of sale.

6. Utilize effective technology to support the sales execution process.

7. Engage only in marketing activities that directly generate qualified leads.

By following the above guidelines, startup companies stand a better chance of achieving early revenue, which may reduce or even mitigate the requirement for external investment. Where investment is sought, this approach will also give both the investor and startup a real chance at maximizing investment for a safer and more profitable return.

About the Authors

Ian Gilbert is Managing Partner of Third Core Venture Expansion Partners, a company that offers sales assistance, and builds and runs sales teams for new and growing companies. He has been privileged to lead and contribute to sales operations at some of the world's dominant technology organizations, including HP, Cable & Wireless, CGI, Telus, Bell Canada, PTC, Tandberg, Nortel, and Avaya. Ian has used his corporate experiences to start and build successful companies in both Europe and Canada, and he has assisted many Canadian entrepreneurs in the creation, development, and eventual sale of their companies. He continues to work personally with entrepreneurs across Canada.

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