

Sales-led Business Building

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Introduction

Over the last 10+ years, corporates have tried out many approaches to benefit from startup-type innovation. The three basic archetypes range from corporate venture capital/ CVC (=investment into existing startups) to venture clienting (=source products/ technology from existing startups or innovative teams) to corporate venture building (build own startups from scratch).

The first two are well established and mostly low-risk. CVC leverages proven M&A and VC approaches and often professional, external VC fund managers like Touchdown Ventures or ninepointfive. Venture clienting is merely a contractual sourcing relationship that can be zipped-off quickly and rarely reaches into a corporate’s mission-critical production backbone.

How successful, however, are corporate venture building practices? In our view, the code as been tinkered with, but not cracked. While on a very tactical level, “best practices” like design-thinking, agile/sprint-based working modes, prototyping and sometimes even startup-style team incentivitation models and legal entity structures are put in place, the strategic drive or paradigm for the business build-up is often still misguided and, thus, ineffective.

Three Paradigms for Business Building

Based on our experience with business building, both in a corporate context and stand-alone, we have delineated three major paradigms for business building that determine the overall approach taken: Product-led, Finance/Org-led, and Sales-led. These are very much engrained in the culture of the company and/or the people building the business, which means that they are hard to change in a given environment and will determine most actions taken.

	Product-led	Finance/Org-led	Sales-led
Objective	Ensure we are able to build it	Ensure the organization can handle it	Ensure customers want it
Main driver	New product/ technology/ solution	Financial implications, organization & legal structure	Customer traction & value creation interest
Success factor	Tech & product edge vs. status quo	Efficient finances, functioning org, internal acceptance	Customer value creation potential and market pull
Secondary prio	Sales, Finance/Org	Sales, Product	Product, Finance/Org

FIGURE 1: PARADIGMS FOR BUSINESS BUILDING

All of them can be viable, but in our experience, one of them trumps the others by a margin: **Sales-led business building is the scariest, most avoided, yet most promising paradigm for ramping up new business.** This approach improves chances of success by being fully externally focused and following customer value creation, as opposed to relying on internal genius (which does exist in some organizations, but not in many). We want to outline why we believe that is the case, which archetypical development paths exist, and how a more sales-led business building approach can be implemented.

Product-led Business Building

Most existing organizations adopt a product-led approach. That is what they know and are good at, and this approach **minimizes any risky exposure on the market.** Often, a new product idea is developed during an internal innovation challenge or out of the R&D or tech department, and a first version of the product is built as per the original internal idea and based on the hypothesis that the technology or product is better than any existing one on the market. If the product doesn't work out technically, it can be scrapped without anyone noticing and without any reputational damage. **Most companies are stuck here.**

A typical example is a project of one of our clients, a financial services player. The IT team developed a small software solution to solve an internal process problem for the manual check of business proposals. Assuming external customers could help finance the development cost incurred, the company wanted to market this software to similar companies who they believed to have similar process problems and would certainly use and pay for the software. The software worked technically, but it did not get pull from the market because other companies had indeed different challenges and plenty of existing, cheap software solutions were already helping out. So, while the solution worked out internally, it was neither a product for the market, nor a source of new business.

Finance-/Org-led Business Building

The more the company's organizational structure and financial operating model play a role in its (perceived) success, the more this aspect drives any business building activities. In other words, **organization is both the driver and the solution of most innovation initiatives.** The main questions that determine the general business building approach, are: Which business unit will the future business belong to? Who will take responsibility to run it in the future? Which existing product portfolio will it fit into? How will the business segment EBITDA reporting be impacted?

For example, one of our clients, a machine manufacturer, had to decide on the fate of an advanced tech-based business idea that could have fundamentally propelled their business forward. An effort was made to discuss which business unit would sponsor the new business idea and would be willing to host the possible venture in the future. Given its cannibalizing nature vis-a-vis the core business, the natural host business unit gave it a pass. Eventually, no sponsor was found and the business building effort—after having incurred a 7-digit investment—was stopped.

Sales-led Business Building

The **objective of a sales-led approach is to identify, very early on, what product or service can be sold to which customer to create what kind of value for them.** It encompasses how it can be sold and with which underlying economic model, aka at what price point. The product or service will then be developed for exactly that requirement. The early interaction with multiple future customers is directed towards the mutual development of a solution (aka co-innovation) and the creation of a high-velocity early customer pipeline.

This **approach does not require a ready product just yet**—that is a common misunderstanding and an excuse for the organization to procrastinate on leading tricky customer conversations and ultimately revert to a supposedly easier product-led approach.

Sales-led should not be confused with the classical design-thinking or customer-driven innovation approaches. The latter are eventually product-led approaches that just try, mostly rightly so, to involve the final user in the product design step. For example, this may be the fleet manager testing a future fleet management software, who gives feedback on a user interface they find particularly helpful. **While this is not wrong, it focusses on the user of the product, not on the buyer or the one eventually reaping the business value from it.**

How we run a sales-led business building approach will be covered at the end of this article.

Common Struggles and Dominant Strategies

Corporate business building will not be successful by exclusively following just one and neglecting the other two approaches. **It will have to apply a mix—the right mix—of approaches.**

The eternal struggle: Product- vs. sales-led

The most common **trade-off in building a new business is between the product people ("we want to build something") and the sales people ("we want to sell something").** In most existing organizations, especially engineering-driven ones, product-led feels like the safer approach: It builds upon existing capabilities, it doesn't (yet) require convincing a customer to buy something, and the **lack of market pressure feeds the illusion that "there is still enough time"**.

One of our clients from the manufacturing industry, when asked when the first prototype could be iterated with customers, said "in 12 months". We had already done an initial market validation, a slight product and business model pivot attempt and were on the verge of triggering a sales-led business building approach. So, this timeline was clearly non-viable and put the whole project back on the product-led drawing board.

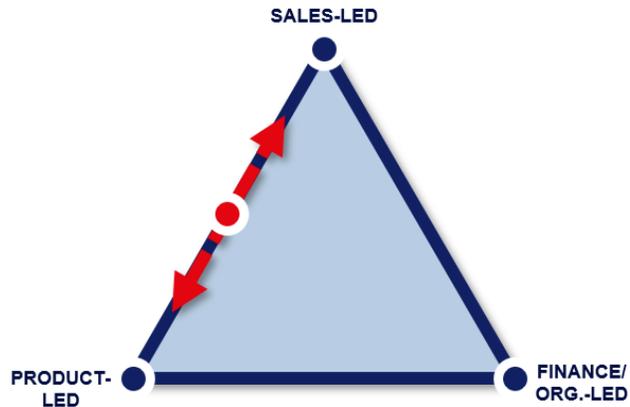


FIGURE 2: SUGGESTIONS FOR LEADERS

A dominant strategy: The visionary approach

There are situations **where the product-led approach actually works**: When a strong vision for a new product/service/business model goes beyond current customer imagination and acceptance (i.e. sales-led would not work) and, at the same time, is so practically viable and specific that any iteration between product and sales would not make the product any better or the customer more willing to use/pay. Everyone knows Steve Jobs' iPhone example, which would fall into the visionary category.

This **"hole-in-one"** approach requires an almost genius understanding of what exactly a **customer will want in the future** and the ability and stamina to deterministically build exactly on target and against customer- and product-oriented nay-sayers. It may also just entail a huge risk of that vision being plain wrong. Think of Segway or Google Glass—which could have worked like the iPhone, but didn't.

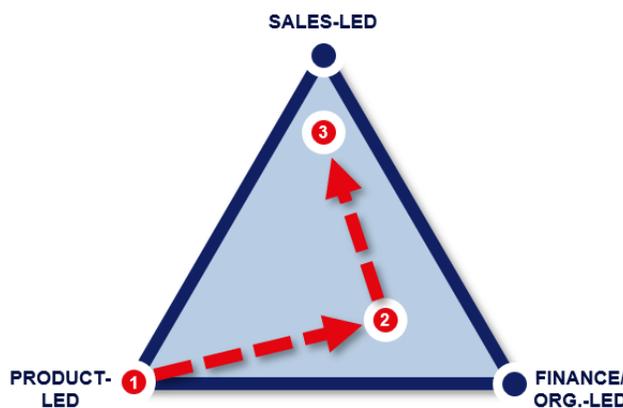


FIGURE 3: A DOMINANT STRATEGY: VISIONARY APPROACH

The visionary approach is characterized by **sole focus on the product side at the beginning**, followed by the setup of the sales, production, and delivery organizations and respective financial anchoring in the organization second, and a strong push into sales as the third and final step. Going back and iterating with product may happen for V2, V3 improvements of the product, but initially there is not much iteration required—or even possible. It may be reiterated that this approach **works really rarely and is not for the faint-hearted as it is highly risky**. Especially corporates rarely make it work.

Best practice path for the non-visionaries

In most cases and for many reasons, jumping right to the perfect future product or service will not be possible and a rough initial product idea will need to be iterated with customers early on to ensure it creates some value.

Examples include a venture building project we did for one of our large manufacturing clients who built a B2B software venture for the management of electric vehicle fleets. The initial product idea entailed a smart charging solution to help fleet managers and drivers efficiently charge their EVs for next day's business trips. Early on, we ran a co-innovation process with a number of fleets to identify a problem for which our SW can actually be sold to them. Through these conversations we realized that the current electrification level was close to 0%, and first and foremost those companies needed support with the transition to e-mobility. They needed clarity on which drivers, cars and daily routes should be covered with an EV when and which exact model should be acquired.

This led to the build-up of a whole additional SW solution, an EV Transition Tool to help EV-enable fleets—before a smart charging SW solution could even create value.

So, starting sales-led (1), then crafting a product that fits this need (2), setting up a few org pillars: sales team, product team, revenue engine (3) and then balancing it out at the most value-adding point (4) is a fast and best-practice way to build new business traction.

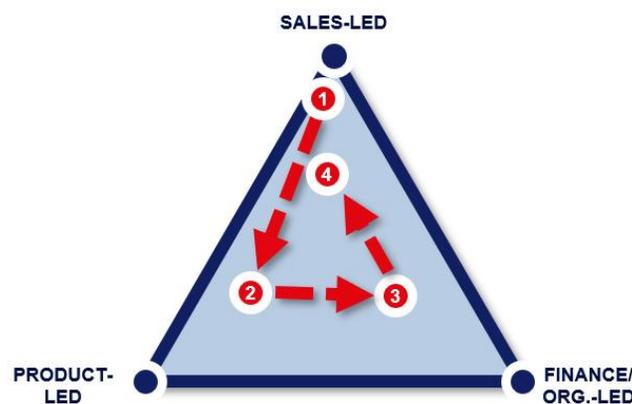


FIGURE 4: THE BEST PRACTICE PATH FOR THE NON-VISIONARIES

Finding the right mix: Value-led business building

The right mix will require sales, a lot of sales

Regardless of the culture and inclination of the corporate organization as a product-, sales- or org-driven one, **successful business building will always require some balance of the three paradigms**. Experience shows that a sales focus is a bigger predictor of success than the other two, and the right approach—which we will call Value-led Business Building—**should be skewed towards sales**.

Why is finding the right mix so hard?

In our experience, **many established organizations we work with underestimate the importance of sales and procrastinate too much with the product- and org-specific questions** of a new business. Not because they have not heard about the importance of sales, but because it is not in their nature to operate like that.

Such as a large scale insurance client that had built a phalanx of software-based ventures, created from generally good business ideas. The **venture teams were staffed with CEOs coming from the core business**, who often were the subject matter experts bringing the product/business idea in the first place. These venture CEOs, however, naturally **pushed the venture product development as well as the organizational and political relationship with the core company**, but not the customer interaction and sales, as these were less familiar to them. Eventually, the company (as most companies at some point do) realized the **lack of business traction** and had to take **urgent action to drive up sales or get defunded**. This is often too little, too late and **many of these ventures are exited—not for the lack of a good business idea, but for lack of sales execution and focus**.

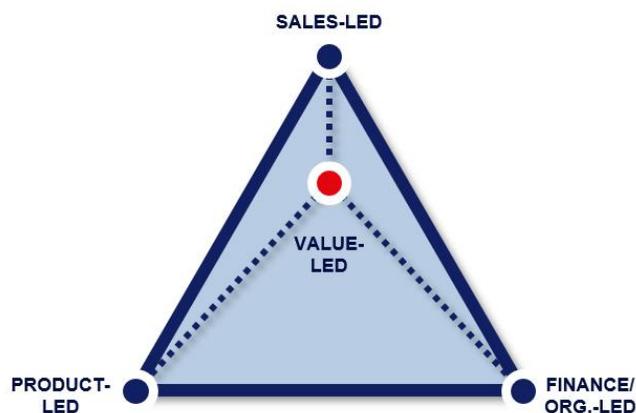


FIGURE 5: VALUE-LED BUSINESS BUILDING

How will sales-led business building play out, specifically?

Where will value be created: Leveraging the Value Canvas for strategic sales

We apply the **(Digital) Value Canvas** to help with sales-led business building. Focused on **mapping and understanding value creation needs of customers** from a management perspective, it helps understand early on if a new product or business offering will generate customer value in a relevant area (e.g. process efficiencies, technology know-how, brand awareness, customer relationships, core product sales, or others). Mapping the value creation abilities of the new product or service offering against the customers' value creation needs will **highlight quickly if and where we hit gold and what kind of value proposition**.

Client Example on B2B GtM Strategy and customer funnel build-up

One of our **recent clients, a leading machine manufacturing company**, hired us to help build an Equipment-as-a-Service business as an extension of the product-oriented core business.

While in this case the core product (machinery equipment) was already established and the new business model (long-term contract and risk-taking vs. one-off product sales) had already been scoped, **the way this business would work in detail and create business value for our client was still unclear**.

We took a sales-led approach to identify target industries and customers and run as many early-stage discussions as possible. This led to understanding the most likely equipment/service/business model configuration a customer would buy and guidance for the product- and org-sides of the business building team.

Main artefacts we created for the client as **part of this sales-led approach**:

- **Customer pitch deck incl. Value Canvas-based customer value analysis**: For quick feedback and fast iteration cycles with potential customers
- **ROI Calculator for fast assessment of commercial viability** of each potential deal, with just a few (e.g. future equipment usage) data points needed from the customer
- **Hubspot-based sales funnel** with several hundred contacts, three-digit number of customer interactions and a few dozen hot leads
- **Webinar content and approach** for credibility-building content marketing
- **Performance marketing approach**
- **Practical learnings from customer calls** to accelerate the onboarding of a future salesforce

Thanks to Fritz Schnürer, Matthias Morgenstern, Adrian Istogu, Christoph Schierle and Dennis Elflein from Excubate Corporate Startups for the work and thought leadership on these artefacts.

Our role as external consultancy was essential to set up pragmatic pilots, such as marketing A/B tests, and shield the client from any unwanted market exposure.

For a more detailed conversation about your situation and sparring of your current business building approach, reach out to the authors.

(Note: No AI was involved in creating this text. The golden egg on the cover, however, was done by Midjourney.)

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