

Harvard Business Review

POLAND

www.hbr.org

ENTREPRENEURIAL SELLING

by **Regis Lemmens**

In B2B selling expert's knowledge and insight begins to play more important role than long term relationship built and maintained by salespeople with their company's customers. Let's find out how to sell so that it helps our customers to identify new business opportunities as well as encourages them in developing solutions beneficial to both parties.

ENTREPRENEURIAL SELLING

In B2B selling expert's knowledge and insight begins to play more important role than long term relationship built and maintained by salespeople with their company's customers. Let's find out how to sell so that it helps our customers to identify new business opportunities as well as encourages them in developing solutions beneficial to both parties. BY REGIS LEMMENS

Over the past 25 years selling has been subject of unprecedented transformation, and practices regarded as common standard in early 1990s today are obsolete and should be put out to pasture. In many companies the very foundation of effective selling are people – sales representatives who visit company's prospects and make his or her sales pitch to persuade potential customer into buying standardized products or services. And sales people in general haven't change their approach to selling either, as if they missed the fact, that nowadays customers can easily and in no time find all necessary information in the Web, so there is no reason for them to meet sales rep for presentation of his or her offer. Universal access to information makes adding value to the selling process increasingly more difficult, and customers no longer trust a sales rep blindly.

Know-how instead of relationship

Popular among salesforce die-hard belief is that developing direct personal relationship with customers is

synonymous with adding value. The problem is that for today's customers this kind of relationship is not important, because what they are really looking forward and need badly is expert's advice. A dozen or so years ago presentation of a product superior features was sufficient to make customer feel persuaded into buying something. For today's customer it is definitely not enough. That's why over the past 10 years salesperson function was to a great extent replaced by channels generating less costs, such as teleshopping, selling over the phone, self-service Web portals or local intermediaries.

In 2015 estimated data from Forrester Research company showed, that by 2020 number of jobs in B2B selling will drop by over 1 million. It doesn't mean though that sales representative function will vanish completely. Sales reps are needed today and will be needed in the future, but they must acquire wide range of specialist skills. Indeed, they should be familiar with their customer's business as well as with the latest trends and innovation. Such knowledge is more important than product itself, because customers are looking for unique solutions that secure their companies competitive advantage in the marketplace.





I wanted to learn how sales representative's role is changing in a dynamic business environment, so in my research from 2010 to 2014 I interviewed over a hundred sales representatives and sales managers, asking them about the future of their profession. Majority of my respondents stated unanimously that salesforce ceased adding value to selling process in B2B sector, although few organizations proudly announced that they found successful methods not only to add value, but also to gain profit margin. The organizations focused on implementing proactive approach to selling, which is about looking for new ideas and new business opportunities together with their customers. As a result, step by step consultative selling has evolved to the level that may be called co-creation or entrepreneurial selling. The process involves acquiring and retaining customers through collaborative and proactive development of new business opportunities. Since consultative selling involves presenting already constructed solutions to the customer's problems, it is in fact reactive approach to selling, because the customer already knows what his or her problems are. In contrast, entrepreneurial selling requires proactive approach as the problem or challenge is not precisely defined by the customer. Co-creation in turn means that both, sales representative and the customer, are equally engaged in determining a challenge and creating new solution (for example particular product or service). Assumption in this concept is that customer knows his or her goals and has already developed preliminary vision toward achieving them, whereas sales representative (selling organi-

zation) has adequate technology or resources necessary to achieve customer's goals. In such partnership sales representative collaborates with customer and they jointly create value beneficial to both parties. Sales representative's aim is to help customer in accomplishing his or her aspirations, while customer gain and value is an opportunity to cooperate with experts, and drawing on their experience and knowledge (see box Different approaches to Selling).

Co-creating innovation

In transactional selling sales representative was focused on convincing customers that services and products offered by his or her company will meet their needs in the most satisfying way. Once salespeople realized that selling should be more focused on customer, transactional selling faded away, and consultative selling developed. In this approach sales rep understands customers' problem, therefore he or she offers them reliable, customer tailored solutions. It's time to make one step further, in other words, to start shifting to entrepreneurial selling. Today's customer on B2B market doesn't get up in the morning with clear vision of products, and strong determination to buy these particular items by all means. Instead, he or she is looking for something new, vague, not yet defined or named, but something that allows him to outrun his competitors. In modern business organization selling process should be aimed at helping customers in transformation of their businesses. Therefore salesforce should have thorough and up to date knowledge on market situation, be aware of successful

IN BRIEF

PROBLEM

Recent years witnessed dynamic changes in the sales representative's role. Research shows that many organizations within the B2B selling, sector sales representatives no longer add value to selling process, whereas their customers are determined to make innovative change. Because of these real-life circumstances traditional approach to selling doesn't work.

SOLUTION

Selling process in modern organization should focus on helping customers to create innovative solutions or to transform their businesses. Sales representatives should have thorough knowledge about the market as well as about cases of successful deals in various companies, and help customers to implement change. Salespeople should stop act on assumption that they must sell something first. Instead, they should first identify customer's business challenges and only having that done they can – together with their customer – co-create solutions beneficial for both parties.

METHOD

Process described above is called entrepreneurial selling or co-creation. Entrepreneurial selling involves customers acquisition and retention by collaborative and proactive development of new business opportunities. Co-creation means that both parties – salesforce and their customers – engage and work together to identify challenges and create new solution (for example a product or service).



transactions in various companies, and help customers with implementing change. Selling based on innovation is the exact opposition of an approach based on belief that you sell something first and then deliver the product. In this case there is inverse relationship – first you search for innovation together with your partner, and then you both, jointly, work out the solution that will be beneficial to both parties.

Entrepreneurial selling transforms approach to innovation. Up till now new solutions offered by sales representatives had been developed in supplier's company, which means that the approach was focused on product – in other words, was product centric. Alas, in today's realities of B2B market practical aspects of the idea go from bad to worse because customers are no longer passive recipients of products, on the contrary, they expect to be active participants of product development process. Moreover, they demand individualized or even personalized offerings as well as end product adjustment to their particular needs. Because from customer's perspective participation in the process is top priority, sales representatives should make it possible by inviting their products buyers to work together on shaping and developing new products and services.

Let me illustrate the above by real-life example of Barry Callebaut, one of the world's leading producer of high quality cocoa and chocolate. Among its customers there are two famous gourmet chocolate manufacturers – Neuhaus and Godiva, both trying to innovate their products, and keep up with the latest nutrition trends. To anticipate future preferences and needs of end consumers Barry Callebaut cooperates each year with several research agencies, which help the company to identify future nutrition trends on the market. Next, Barry Callebaut translate these trends into ideas, and vision of potential products and services, which can be introduced into the market. Barry Callebaut's sales representatives communicate these trends as well as new manufacturing technologies to their customers trying to inspire them to modify their offerings. They organize co-creation seminars where customers can meet experts on chocolate production technology, who answered their question, explain how to innovate their products and enhance their own recipes. This is definitely a model example of entrepreneurial selling because Barry Callebaut's sales representatives are focused on assisting their customers throughout innovating process, and on helping them to maintain their market success. In this example selling process is not just about selling and buying chocolate. It involves creating innovation, and helping customers to achieve success, which will ultimately increase volume and value of cocoa and chocolate products ordered by customers from Barry Callebaut.

Next example comes from SAP information company which few years ago introduced its new product called SAP HANA. Unlike SAP's typical system ERP, HANA is a set of tools allowing organizations to build advanced applications based on big data base, which

DIFFERENT APPROACHES TO SALES

| | Transactional selling | Consultative selling | Entrepreneurial selling |
|-------------------------------|---|---|--|
| Client has | Needs | Challenges | Goals |
| Client wants | Products or services | Solutions | Business vision |
| Sales person's role is | Communicate the value of their products or services | Creating value by finding a solution | Co-creating value by helping clients realize their goals |
| Value means | The cost of products or services | Benefits arising from the solution | Overall customer experience of co-operating with a supplier |
| Approach | Product Centric | Solution Centric | Client Centric |
| Example | Retail sales person, door-to-door salesman | Sales advisors in banks. They customize a solution to a specific situation. | Key Account Manager/ Business Development Manager Example: SAP company which is helping its client BARCO develop a new product which includes some of SAP technologies. |

till today was not even possible due to technical reasons. Up till now, having no experience and knowledge, customers could not build such application, and as a result demand for this kind of technology was practically non-existent. So the question was: How do you sell something customers don't need? SAP decided to encourage customers to make some innovation in their product portfolio, and to do that, it set up innovation workshops, where SAP specialists share the company's insight and expertise on design thinking. As it turned out, the workshops proved to be advantageous for Barco Company, specializing in visualization and projection technology. SAP offered Barco's managing executives three-days topical workshops in Heidelberg dedicated to design thinking. In the course of workshop exercises SAP presented it's concept of upgrading Barco's visualization system by using HANA system. Once the project was completed both companies started looking for customers willing to conduct pilot test of the solution they had jointly created. Ultimately new technology of visual supervision was successfully tested and subsequently installed in rail traffic control room. Then both organizations realized that their new technology had commercial potential, and started exploring possibilities of commercialization. I called it entrepreneurial selling,

and rightly so, because SAP and Barco work together to identify new business opportunities, turn them into practice, and create market for their new solutions.

Six steps toward transformation

Entrepreneurial selling allows the selling company to generate new value by pulling customers out of their comfort zone. It makes them change their way of thinking about choosing their goals, and about a path to achieving them. This kind of approach is by no means revolutionary in and of itself. However, understanding of how the process should look like, and practicing this approach across organization, can be a key to success.

Evidence supporting the above can be found in many exemplary organizations, pioneers in entrepreneurial selling (see box Business Transformation Based on Co-creation). The idea is novel, even groundbreaking, because in this approach selling is no longer focused on final transaction. Instead, it becomes innovation process resulting in value creation, beneficial to many parties. In the following parts of the article I will describe process that has nothing to do with traditional selling, but is a path to business change, and future growth.

STEP 1. AWARENESS. Entrepreneurial selling should begin with raising customers' awareness of the necessity for change in their businesses. It usually requires internal or external audit or comparative analysis. Important thing is, that sales representative can co-create value by making customers aware of their strengths and weaknesses, and of opportunities and threats to their businesses. So before meeting a customer they should ask themselves the following questions: How do I make my customer more aware of market trends? How do I make a customer to recognize his or her internal strengths and weaknesses? How do I convince a customer that he or she needs to solve this problem here and now, together with the supplier? Who should lead the project?

My studies allowed me to distinguish three methods of raising customers' awareness by sales representatives. First of all, sales people should challenge customers' present conventional way of thinking. For example IBM asks CEOs of the companies which buy IBM products to share their views about the market, and uses their evaluations as a base for comparative studies. Later on all participants of the survey receive IBM reports that allow them to compare their observations with opinions of other respondents. The analysis aims at identifying so called blind spots, and when a blind spot is found, IBM can offer a company its consulting services to solve the problem.

Another method is to inspire customers by providing them with information they don't have. Mentioned earlier Barry Callebaut company each year commissions several research agencies to prepare analysis of the latest nutrition trends, and then uses these analysis to motivate and inspire customers to create innovative products.

Third method involves creating conditions that encourage customers to do something what they before perceived as too difficult. For example Barry Callebaut's sales reps founded "Academy" creating environment inspiring for product innovation. "Academy" is also a meeting place for customers and experts from chocolate manufacturing industry, where they can discuss about how to develop and improve their products.

Regardless of the method you choose, it's important that you start with building your credibility. Nobody will accept your perspective unless you prove yourself to be reliable and believable person, and so is your organization. Take a large producer of Xerox machines, who decided to offer his customers some consulting services. The company hired several business consultants but was unable to win its customers' hearts and minds. In fact, the customers were puzzled and confused that out of the blue manufacturing company turned into consulting firm. Once you establish your credibility, help your customer to make a connection between your new idea and his or her business; also, create a sense of urgency to make customer appreciate the significance of the problem. Observe customer's emotions. In CGI technology centers sales representatives make sure that their customers make the most out of CGI new technology, and that they really "feel it". And finally, try to make your customers understand, that you are the one, who changed their way of thinking about certain issues, you helped them to structure the ideas, showed them new direction, and encourage them to make an effort.







STEP 2. VISION. Once employees of your customer's organization are aware of the necessity for change, you need to begin building a vision of new strategy. Again, it's an opportunity for salesperson to co-create value. Before moving to this stage of the process you need to answer the following questions: How do I create the climate of trust in an environment where stakeholders share all information? How can I help customers to develop their vision and create roadmap for project implementation?

STEP 3. COMMITMENT. To transform vision into action all key stakeholders should be familiar with the vision, and convinced that it is apt, sensible and beneficial to all parties. It can be done through vision presentation, case studies, and project plans. Those who oppose the vision may create tensions so the company should by all means ensure unanimous approval of the stakeholders. Sales representatives can co-create value by helping customers to prepare business case, project plans, and conciliate all stakeholders, persuading them into providing financial support for the project.

Before entering this stage consider all key stakeholders: who they are, how to gain their support, and how the vision should be presented to them. You need to prepare business case, start planning process, also win the stakeholder over and encourage them to improve the vision.

STEP 4. ACTION. It involves allocating resources needed for launching specific initiatives. This is the

BUSINESS TRANSFORMATION BASED ON CO-CREATION

| | CLIENT... | A SALESPERSON CAN ADD VALUE BY... | EXAMPLE |
|--|--|--|--|
|  1. AWARENESS | Realizes that they need to change something in the organization | other organizations are dealing with the challenge | IBM compares their clients and presents the results. This makes that clients are more aware of their strengths and weaknesses. |
|  2. VISION | It creates a vision of the way an organization should deal with the change. | Helping clients develop their vision; Inspiring them or providing them with a method which would help them define their vision. | CGI, an IT company makes available a center for its clients where they can experience different technological innovations and have a brainstorming session on how the innovations can positively impact their competitiveness. Capgemini offers a special service which allows the clients to translate the strategy into a concrete road map for a project. |
|  3. COMMITMENT | Transforms a vision into a business case which is communicated to everyone in the organization. | Helping clients in: - translating a vision into a solution which can be implemented - selling and communicating the vision internally. | Capgemini offers a special service to help clients translate a strategy into a road map for a project. |
|  4. ACTION | Allocates resources in order to get prepared to start a project. | Convincing stakeholders to allocate resources in a project. | SAP launched a pilot to implement vision which they developed along with Barco. |
|  5. IMPLEMENTATION | Implements change in the organization. | Ensuring that a project reaches the value that a client seeks. | Caterpillar helps their clients solve all problems with which they can face during a project. SAP also contacts other clients in order to find the best engineering solutions. |
|  6. EVALUATION | Draws conclusions from the entire process (learns) and implements necessary changes in the organization. | Helping clients in an appropriate evaluation of a project and preparing following steps. | Before launching a project, Capgemini asks clients to prepare list of key results for a project, asks them about their ambitions. At the end this list is analyzed to find what has been achieved. |

stage when contracts with suppliers are signed, people are allocated to projects and pilot tests; also in this stage the first steps into the project are defined. Sales representatives can co-create value together with customers by proactive exerting influence on stakeholders. You need to identify key people among them who are able to dedicate their resources into your project. Focus on winning their support, and at the same time keep tracking actions of other people who can also influence the process. To get the project started look for small pilot projects or small components of the project.

Before you begin this stage consider what kind of actions you really need because it will help your customer to start with the project. Also think how stakeholders, identified earlier, can support the initiative. During

this stage persuade carefully selected stakeholders into providing their resources, ask them to start the project. Also make sure that all stakeholders have skills and knowledge necessary to carry on the project from start to successful ending. You may consider conducting small pilot project. During the project preparation stage define the roles of all stakeholders accordingly to their individual vocational predispositions, bring together decision making people on various levels, and make sure that all stakeholders always stay in close contact between one another. Just before proper implementation authorize others to initiate action. Try to delegate as much as possible, allowing people to take initiative independently, and to carry on with the project.

STEP 5. IMPLEMENTATION. While implementing change people engaged in the project should be motivated all the time. Project managers usually focus on keeping up with the schedule and staying within the budget, but without a doubt the key role in this stage play leadership skills. They are crucial to value co-creation, and badly needed to praise people adequately for early success, and to keep stakeholders engaged and committed. Before entering this stage see to it that there is transparency and efficient communication between all team members, and make sure that every achievement of team member is adequately presented on regular basis. Most important tasks now include planning, tracking work progress, supporting and motivating the stakeholders as well as relentless improvement of various processes. Make sure that all participants of the project work together towards achieving the goal defined during the phase of vision developing.

STEP 6. EVALUATION. Process of change implementation comes to an end with final evaluation and conclusions drawing. Most important thing is to recognize and appreciate everything what has been changed because it can move collaboration and commitment of both organizations to higher level. Every time when supplier and his customer co-create something together, new possibilities for their own companies open up. Sales representative's role in this stage involves evaluation and reviewing of value that has been created in joint effort. and summing up everything what both companies learn on the way. During this final stage you need to make sure that evaluation of the results is done, that knowledge acquired in the process is shared, and also that the initiative and it's results are integrated with the company's daily practices.

Undoubtedly, while considering implementation of innovative methods of selling many managers can't help wondering how much does it cost? Also in which stage of the process payment should be made, and who pays what and to whom? In most cases known to me, customers didn't pay for co-creation process. Some or-

ganizations, such as SAP and CGI, extended this principle to such a degree that co-creation process becomes a service most desired by customers and sought after. Here is an example: SAP offers its customers seminars on design thinking to help them better understand a process of creating vision of new products. The seminars are in some cases offered free of charge others are paid. Also CGI invites its customers to spend a day in its SPARK centers where they can explore new technologically advanced, innovative products, and participate in brain storm sessions on the products potential use. CGI customers found the idea so attractive and beneficial for their employees that some are even willing to pay for several days a year in SPARK center in a form of subscription.

Threats to co-creation

Drawing from ideas based on entrepreneurial selling is ultimately beneficial to a company and its customers. But every rose has its thorns. Considering implementation of co-creation concept you need to bear in mind a potential risks inevitably associated with the process of creating and implementing new solutions in collaborative way with external partners.

Ambiguity of intellectual property rights. When companies work together on new products or applications, proprietary issues will turn up sooner or later. However, both parties shouldn't put a discussion about legal aspects of the project aside, and wait until the project is completed to bring them up, because each partner may have different expectations. Take this example. Large steel manufacturing company together with its customer have been testing new product making also some improvements on the way. After tests were completed, it turned out that the product is much more effective than previous one currently offered on the market. So the steel manufacturer commercialized new product and priced it several times higher than the one already available on the market. The customer, who participated in the product testing and improving processes, and was aware of his significant contribution to the product development, felt used by his partner which negatively affected their relationship. That is why propriety issues have to be agreed upon in the right moment, although it shouldn't be put on the table too early as it may hinder the whole process. The best way to deal with the issue is to clarify the problem just after the vision of innovation is completed and approved, and all parties have clear understanding of the process. Why only then? Because discussion in earlier stages will be too abstract, while after the process is completed will be simply too late. All parties have certain expectation, and when they are not met they are all frustrated.

Threat of failure. Many projects are launched but not all have successful ending. For example in CGI merely one in five inspirational seminars organized in SPARK centers leads to successful pilot project. This should be an important lesson for all project parti-

cipants. Equally important is this: if you include customers into process of creating innovation the threat that your company will launch a product nobody would buy is greatly diminished.

Threats to current performance results. Co-creation projects, like most implemented innovation, don't bring immediate profits, although they require significant financial input. The investment may negatively affect current performance results, and even decrease company's financial liquidity.

Neglect. In my work with various companies I've seen multiple successful pilot projects that never turned into final product or service. Why? Because they were neglected by leaders, who were most of the time absent. Managers – in supplier's company as well as in customer's one – often leave implementation of pilot project to technical staff. Unfortunately, once the project falls off their radar, the leaders quickly forget about it, stop checking work progress focusing on other tasks at hand. And the project is left alone, abandoned.

Alternative uses of co-creation

Technology is moving so fast that customers often see no reason to use new inventions. In these instances entrepreneurial selling comes to rescue. Interesting example is the one of a manufacturer of medical equipment for hospitals. Having noticed that every year hospitals spend less and less money for medical devices, the company wanted to turn the trend around. Instead of pressing hospitals to buy more of its products, the company take quite different approach: it decided to cooperate with hospitals towards improving patients' experiences. As the first step the company gathered information from patients beginning at the moment they enter a hospital and ending at the moment they leave after being treated. Sales representatives of the manufacturer quite rightly pointed out, that when they help hospitals to improve their processes, hospitals will save more money, and subsequently will spend more funds for new equipment. Moreover, hospitals will no longer perceive equipment manufacturer just as a supplier but rather as a partner. Instead of selling and buying collaboration in this case was about helping customer to achieve success that will lead to future ongoing demand for the company's products and services.

Also, co-creating can be a good solution for start-ups and beginners in business. In the past 10 years I have been cooperating with young companies helping them to implement selling strategy. I was surprised how quickly they wanted to sell their products or services, convinced that their offering is carefully prepared and refined. Sometimes they manage to find their first customer, the problem was that one buyer doesn't necessarily represent the rest of the market. But start-ups, happy to gain a customer, very quickly presented their value proposition to larger audience – alas, unsuccessfully. Why did they fail? Because their product was not ready to go to the market yet.

One of the basic principles of entrepreneurial selling is this: instead of selling product which is only partially developed, you engage your customer in co-creation to extend business capabilities of his organization.

Adding value

Companies collaborating with suppliers gain access to extra tools and new opportunities, which allow them to implement innovations faster and more efficiently as well as enhance new solutions by adding more elements. Entrepreneurial selling provides customers with opportunity to get knowledge useful for identifying challenges their companies face, and for creating products and services they need to solve problems at hand. If company wants to add value to selling process, it should help its customers to define and implement a strategy. In today's business environment it usually requires creating innovation. In other words, entrepreneurial selling is about helping customers to innovate their businesses.

Entrepreneurial selling also allows sales representatives to build customer loyalty. Collaboration with external partners creates favorable climate for doing something new, and encourages permanent learning. This approach to selling is tied up with innovation because sales representative helps customers to innovate their businesses. Perhaps in a dozen or so years many sales departments will disappear from business landscape. Sales representatives will move to other departments, and selling will become a part of company DNA. Although it may sound like some wild fantasy, in real life even today many organizations have already moved toward this direction – selling has become a domain of business partners and consultants, not sales representatives.

Some readers may wonder, does it make any sense to invent new name for a process that has been used for some time in business organizations. Why don't we simply call it collaboration? Or even better – selling? The reason we shouldn't is this: selling is a narrow term, meaning only one thing – transaction, whereas collaboration is too broad. Meanwhile entrepreneurial selling embraces co-creation, entrepreneurship and innovation. Neither selling, nor collaboration include these components. This is the reason why approach described in this article fully deserves to distinguish itself with its own name.

Companies collaborating with suppliers gain access to extra tools and new opportunities which allow them to implement innovation faster and more efficiently.

Article no A1803A

REGIS LEMMENS is a professor in Sales and Sales Management at Antwerp Management School and co-author of a book titled *From Selling to Co-Creating*.