Tim Schick

The Future of Sales in the B2B Software Industry. The Digitalization of Sales in German small and medium-sized enterprises

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The Future of Sales in the B2B Software Industry

Insights into the Digitalization of Sales

in German small and medium-sized enterprises

Master Thesis
for the academic degree

Master of Science
in the study program
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at the ESB Business School, Hochschule Reutlingen

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Tim Schick

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LIST OF ABBREVIATIONS

AI	Artificial Intelligence
B2B	Business-to-Business
B2C	Business-to-Consumer
B2G	Business-to-Government
BCG	Boston Consulting Group
CRM	Customer-Relationship-Management
ERP	Enterprise-Resource-Planning
IoT	Internet of Things
KPIs	Key-Performance-Indicators
PC	Personal Computer
SaaS	Software-as-a-Service
SMEs	Small and medium-sized Enterprises
VUCA	Volatility, Uncertainty, Complexity, and Ambiguity

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1 Introduction

The first chapter contains a brief overview of this master thesis. After a short introduction to the topic, the research background and the problem statement are presented. Information about the research gap and the intended goal of this master thesis follows. The chapter concludes with an overview of the structure of this master thesis.

1.1 Research Background & Context

Across all industries, digitalization leads to sustainable structural changes for companies of all sizes. New business models are emerging, existing business models are changing fundamentally or are even disappearing altogether. Hardly any business area is spared from disruptive change. Therefore, also customer management and sales constantly face new challenges and opportunities. Familiar processes and methods have to be reassessed radically to ensure ongoing success.

Companies have to learn to adapt their customer management to changing requirements. They cannot hope that customers will continue to move towards providers as they have in the past. This has profound consequences for sales. Existing processes have to change, salespeople have to adapt their' skills and competencies to shifting customer expectations, and organizations have to review their structures. Companies that do not address the digital market changes today will not survive in the future. (Biesel & Hame, 2020, p. 1 ff. & 37 ff.)

In contrast to U.S.-based companies, German companies have been hesitant to deal with the digitalization of sales so far. Business was excellent and sales was continuously successful. Thus, there was little need to change the status quo, especially in small and medium-sized enterprises (SMEs). However, the COVID-19 pandemic abruptly changed business life. (Hannig, 2021, p. 4) The entire sales cycle suddenly needed a redesign, from customer acquisition to customer service. Ultimately, the pandemic began to change sales processes in German SMEs, and with that, also the mindset towards the digitalization of sales.

Nevertheless, companies are still struggling to change. The vast number of options for optimizing sales processes seems unlimited. Which sales processes should companies digitize and which should stay as they are? Which aspects are critical to the success of effective sales management? Who should be the initiator and motivator for digitalization measures in sales? Moreover, are the necessary skills and competencies even available?

These questions will be explored in the course of this master thesis. In addition to an overview of the most relevant trends and the most promising digital methods as well as tools for sales, this master thesis will provide insights into the practical aspects of Digital Sales. A particular focus will be placed on the relevance and influence of Digital Leadership in the context of necessary change management regarding the digitalization of sales.

Whereas literature to date has strongly distinguished between the topics of Digital Sales and Digital Leadership, this master thesis intends to bridge the gap between the increasing requirements for digitalization of sales and the resulting need for Digital Leadership. The focus lies on analyzing the current status quo and maturity level of digitized sales processes of German SMEs in the B2B software industry and elaborating on how the full potential of digitalization in sales can be achieved through Digital Leadership.

1.2 Research Gap & Goal

Currently, there are many studies concerning trends and developments regarding Digital Sales and Digital Leadership independently of each other.

The study results of existing surveys concerning Digital Sales are fundamentally consistent and agree upon their main messages. All business areas are exposed to rapid and dynamic changes due to digitalization. Awareness of these irreversible and inevitable changes is clearly present among the companies surveyed. Digitalization of customer-oriented areas will be decisive for future business success. But, surprisingly, sales has hardly changed yet, especially in German SMEs. Existing opportunities have been only used to a limited extent so far, and most companies still underestimate the associated potentials that arise from digitized sales processes. As a result, the gap between digital pioneers and laggards continues to widen, and the risk of being left behind in the market has never been more present than now. (Roland Berger & Google, 2015; Institut für Sales und Marketing Automation, 2019; Kearney A.T., 2015; Bosten Consulting Group & Ruhr University Bochum, 2017)

The sole responsibility for initializing digitalization in all customer-oriented processes is clearly positioned at management level and thus closely linked to the issues around Digital Leadership. (Roland Berger & Google, 2015; Schallmo, 2020; Binckebanck, 2017a) Several studies concerning Digital Leadership share similar key messages. In times of volatility and ongoing crises, there is an acceleration in upcoming market trends and developments. With

that, business as usual is the greatest risk for companies. Primarily due to the COVID-19 pandemic, digital transformation has come faster than expected. In particular, this has led to shifts in customer behavior. That is why Digital Leadership plays a vital role in sales. However, only a minor proportion of leaders say they are equipped with the necessary skills and competencies to guide and support the workforce during extensive change management processes. Only a minority feel prepared to work in a highly digital business environment. Surprisingly again, companies are well aware of the importance of Digital Leadership. However, the current status quo is far from satisfactory. Moreover, companies are doing very little to improve the situation. Merely a small portion of leaders is already benefiting from training and qualification measures related to Digital Leadership skills. There is an apparent contradiction between the relevance and the availability of competencies. (Development Dimensions International Inc., 2021; Deutsche Gesellschaft für Personalführung e.V., Center for Leadership and Behavior in Organizations, Zeitschrift Personalwirtschaft & Groß&Cie., 2016)

None of the currently existing studies examines a connection with or influence of Digital Leadership approaches on a success-oriented implementation of digital methods and tools for sales departments. The studies primarily focus on the respective approaches' relevance and degree of progress associated with an economic advantage.

Lars Binckebanck is undoubtedly considered one of the masterminds in the field of Digital Sales. In his various publications, he has already contributed a lot of methodological approaches regarding the digitalization of sales. Nevertheless, a clear connection between Digital Sales and Digital Leadership, including a link to current insights into practice, is usually missing. Furthermore, his approaches are solely based on a purely conceptual level and therefore lack practical validation in response to underlying challenges.

The relevant findings of the respective secondary literature and the results of the studies mentioned above will also be incorporated in order to address the research questions, as well as a specifically designed qualitative research conducted in this master thesis.

The goal is to highlight the topics of Digital Sales and Digital Leadership for salespeople and sales executives alike. This work concentrates on SMEs in the German B2B software industry. The aim is to analyze the connection between these two topics, which have mainly

been considered independently so far. This master thesis intends to stimulate further thought-provoking impulses and to provide practical assistance for aspiring sales departments.

Research Questions:

- *Q1: What challenges do Digital Leaders face in the context of Digital Sales processes in German small and medium-sized B2B software enterprises?*
- *Q2: What skills and competencies do Digital Sales Leaders need in order to meet the requirements resulting from the need for digitalization measures in sales?*
- *Q3: What influence does Digital Leadership have on the Digitalization of Sales in German small and medium-sized B2B software enterprises?*

In order to answer these research questions, empirical findings are gained by interviewing experts and compared to the results of current theoretical research and existing studies. This research approach builds on existing literature and consolidates it with the knowledge of experts using exploratory interviews.

1.3 Research Structure

This master thesis is divided into six chapters:

After the introduction, chapter 2 describes the general theoretical points of reference. Key terms are defined and placed in a practical context to gain a general understanding. The chapter includes an excerpt of the current state of secondary literature on Digital Sales and Digital Leadership. Findings from existing studies complement basic scientific research.

Chapter 3 deals with the applied empirical research approach of the primary research, which was conducted in the form of expert interviews with experienced sales executives.

Chapter 4 contains the data analysis and results of the expert interviews in a categorized form.

Chapter 5 discusses the insights of experienced sales executives and compares them with the secondary literature and existing studies presented in chapter 2. Based on that, the research questions are answered.

Finally, in chapter 6, the findings of the entire master thesis are summarized, the limitations of this research are pointed out, and implications for research and practice are presented.

2 General Theoretical Foundation

The second chapter includes the general theoretical points of reference of this master thesis. It starts with a closer look at the fundamentals of digitalization and the impact on sales. This is followed by an introduction to the characteristics of B2B and the fundamentals of the business software industry. The next part looks in detail at the current state of secondary literature and contains insights into multiple studies regarding Digital Sales. After that, a comprehensive overview of Digital Leadership as well as insights into various existing study results are given and put into the context of sales.

2.1 Fundamentals of Digitalization

This chapter provides a basic understanding of digitalization in general. The term is defined, the relevance and drivers of digitalization are highlighted, and the impact on sales is examined in more detail.

2.1.1 Definition of Digitalization

Digitalization, in general, describes the conversion from analog to digital. (Köhler-Schute, 2016, p. 3) This conversion takes place, for instance, in processing texts and images and is crucial in data transmission via the Internet. This technology makes it possible to send all kinds of data in the form of data packets to any device in the world connected to the Internet. (Hoffmeister & von Borcke, 2015, p. 28 f.)

Based on the definition according to the "Gabler Wirtschaftslexikon" (2021), digitalization can have several meanings. On the one hand, digitalization means the digital transformation, execution, and storage of data, on the other hand, the digital modification of instruments, devices, and vehicles, as well as the digital revolution in general.

2.1.2 Relevance of Digitalization

In recent years, technological and social trends, along with disruptive innovations, have made digitalization a key driver of transformation in business. Ultimately, all industries and companies are affected, even if the extent of transformation differs for all companies. (Petry, 2019, p. 23).

Numerous studies confirm this trend. IBM (2012) predicted the relevance of digitalization in business a few years ago as part of a global CEO survey among more than 1,700 managing directors from various industries. Another study by Ernst & Young (2015) surveyed 1,025 international companies in twelve countries and delivered similar results. Capgemini (2015) even goes a step further and forecasts that those who miss the trend of digitalization today will be slower, less flexible, and less experienced than the digital pioneers and will therefore be forced out of the market in the long term. This resulted from a study conducted with more than 400 globally active companies.

2.1.3 Drivers of Digitalization

Digitalization plays a significant role in the modification of products and processes. It goes far beyond the use of computers. New technologies are enablers for new or enhanced business models and products. The increase and acceleration of disruptive technological change is seen as a central driver of the leaps in development. (Petry, 2019, p. 27 f.; Gorich, 2019, p. 140 ff.)

These technological changes are taking place at different levels.

One of these levels is the connection between people and media. Media is changing from a pure source of information to media of participation. This applies in particular to social media platforms. Another aspect is the extensive connection to the Internet. Thereby, the Internet connects not only people with people and media via smartphones and tablets but also with objects (known as IoT or the Internet of Things). An increasing amount of products are equipped with barcodes and sensors, thus becoming intelligent objects. In addition, Big Data and Artificial Intelligence (AI) are being used more extensively. The increase in data volume and global digital information capacity through cloud services enable real-time analyses of markets, customers, and company data. (Petry, 2019, p. 29 ff.)

Digitalization is also influencing social trends. From a service society to a knowledge society (Dückert, 2019, p. 183 f.) to a network society. (Gebhardt, Hofmann, & Roehl, 2015, p. 7 f.) This trend can be attributed to the decreasing costs of electronic information distribution. The continuous and rapid change has created a special need to learn and permanently adapt one's knowledge base. This applies to individuals in the sense of lifelong learning and companies in the sense of learning organizations.

The permanent availability of information and knowledge is a matter of course in the digital age. In the knowledge society, it is no longer primarily a matter of access to knowledge but if it is outdated and how it can be used efficiently and effectively to create improvements or innovations.

2.1.4 Impact of Digitalization on Sales

Considering the current trends and challenges, there is also enormous potential for sales if reasonable digitalization projects can be realized.

These challenges include among others higher complexity of products and services and increasing customer requirements simultaneously. In addition, increased market transparency strengthens the customer's negotiation power. By comparing the challenges mentioned with the opportunities of digitalization, it becomes clear that many challenges can be handled with proper application of new opportunities. (Biesel & Hame, 2020, p. 9 ff.)

New ways of communication, automation of tools, and faster and precise presentation of relevant information mean that customers receive tailored information correctly and at the right time. In the future, companies that make this as easy and convenient as possible for customers will prevail, especially, since a new generation of decision-makers on the customer side is growing up who are already familiar with the opportunities of digitalization. (Kober, 2020, p. 3 f.) Half of decision-makers aged 35 or younger currently use the Internet for research purposes to obtain the information they need to make a decision. (Haas & Bowen, 2016, p. 34) Nevertheless, customers do not only want quickly available information but also personal contact with their contact person. Therefore, a mix of digital and non-digital communication will be crucial. (Kober, 2020, p. 3)

2.2 Fundamentals of Business-to-Business

This chapter brings the fundamentals of Business-to-Business markets closer to the reader. In particular, it takes a closer look at the business software industry.

2.2.1 Definition of Business-to-Business

Business-to-business (B2B) describes the market in which a company makes use of offers and services from another company. These companies have not defined the private consumer in the business-to-consumer (B2C) market or the public administration in the business-to-

government (B2G) market as their target group. (Cambridge Dictionary, n.d.; Gabler Wirtschaftslexikon, 2018; Maier, 2016, p. 8) Although in B2B deals the needs of an organization are satisfied, their origin may well be based on consumer requirements.

Moreover, B2B deals are defined as a value-added exchange between two companies. If a deal materializes, both companies usually gain benefits, either as a cost or resource advantage. (Digital Sales, n.d.; Lean Content Marketing, 2018)

Due to the mutual trade between two companies, unique characteristics can be identified for the B2B market.

The nature of the market differs significantly from B2C or B2G. For instance, there are only a few participants per market due to high market transparency, but they are stable in numbers over the long term. In addition, B2B companies often operate internationally because they are highly specialized in a particular field. (Maier, 2016, p. 9 f.)

The type of service is also essentially different from the other two market types. There is often an elevated level of service complexity with a high degree of heterogeneity. Due to the products' high complexity, investments in this area are more significant. Also, accompanying services, such as repair and maintenance, are predominantly sold with the products. (Maier, 2016, p. 9 f.)

Furthermore, demand differs, resulting in extensive and complex purchasing and investment behavior (Maier, 2016, p. 9 f.), as different people with different interests, desires, and needs are involved in the purchasing process. (Edelman & Singer, 2016, p. 28) This group of people is often referred to as the buying center. (Elste & Binckebanck, 2021, p. 88) In B2C markets, only one individual or a group of similar individuals is usually involved in the buying process. The complexity of the buying process is therefore much lower than in B2B markets. The buying center in B2B deals usually consists of decision-makers, influencers, and users simultaneously, all with different needs and priorities. Therefore, it is deceptive to assume that decision-makers are always the most important people. B2B sellers must also equally convince influencers and users of the product or service qualities. (Beck, 2014, p. 722)