

Selling ROI to the Chief Executive Officer? Three Critical Stages

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ABOUT THIS WHITE PAPER

Solution Matrix Ltd is pleased to make available this white paper by **Phil Lori**, Founding Director of True North. (Phil.Lori@TrueNorthDYBC.com).

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THREE STAGES TO SELLING A COMPELLING EXECUTIVE BUSINESS CASE

Despite a torrent of interest in ROI selling to C-Level executives, many programs have failed to deliver impressive results. Why? Most sales organisations don't understand how executives make financially justified decisions. Their sales process is misaligned to the capital funding process. Consequently, sales people misuse the finance 101 skills from training programs and ROI calculator tools from marketing. Worse, these carefully selected training and marketing developments often end up in the sales investment scrap heap. Not to mention the wasted cost of sale on poorly qualified opportunities.

The capital allocation process is managed in the same way as a sales pipeline funnel. And, for the same purpose – to allocate scarce resources to the highest ROI, lowest risk opportunities. While the formal decision making process varies between management teams, the three general stages do not.

- First, executives qualify business improvement concepts using a 'back-of-the-envelope' type of approach.
- If the concept passes this strategic smell test, the second stage is a high-level 360-degree preliminary assessment of the issue.
- If the concept is still viable, a detailed assessment is conducted including full financial, strategic and operational analysis.

Stage 1: Business Improvement Concept

Executives use their extensive experience to do a quick sanity check. From 50,000 feet, how does your improvement concept fit with other strategic priorities on the back-of-an-envelope, plus or minus 25%? If you did your positioning well, you've been given a one hour meeting to prove you have a high ROI, low risk business improvement opportunity worth further consideration. The executive will apply normal business planning and assessment criteria:

What business problem can these folks help me with?

How does this issue rank against competing strategic initiatives and priorities?

Would a solution add significant value to a priority business objective?

What are the strategic risks of pursuing a solution?

In short, does it deserve the attention of scarce resources – management time and capital? If so, does this person understand my industry, business objectives, value drivers and strategic priorities? Have they addressed this kind of problem before?

If your improvement concept survives, the executive will want cross-functional buy-in from key influencers before committing their resources to more rigorous assessment. Emotionally, the outcome you are seeking is a sufficient confidence level for the executive to sponsor your improvement concept to the next step. Physically, the deliverable is a five to ten page financially focused discussion paper with a crisp one to two page executive summary.

Business Improvement Concept

How does your improvement concept fit with other strategic priorities?

Key selling traps in this phase are:

- Poor strategic positioning due to a lack of preparation and understanding of the customer's financially driven priorities
- Jumping into the detail without a strategic context or positioning
- Avoid discussion of risk ie. things that can go wrong.
- Product-centric, technology or 'off-the-shelf' solutions led approach versus customer-specific, problem-led approach
- Telling, not selling. Not asking the right strategic questions – too tactical or detailed, too narrow.
- Business improvement concept not pre-tested prior to executive session
- Blind or improper use of ROI calculator assessment tools

Result: No sponsorship to next steps.

Stage 2: Preliminary Assessment

In this step, you have secured some scarce customer resource to conduct a collaborative high level assessment. The assessment may take several forms from one-on-one meetings through to joint workshops. Again, normal business planning and assessment criteria will be applied. However, the customer is still wary about over-investing in the opportunity. So they will conduct a high-level assessment. What are the high-level current state business problems, implications or pain points – using a value chain framework including customers, processes, people, technology, resources, suppliers?

Preliminary Assessment:

Rigorous, but still 20,000 feet above the issue.

Would a solution add significant financial value to a high priority strategic initiative or business objective?

What would the high-level future state look like?

Would a solution add significant financial value to a high priority strategic initiative or business objective?

What are the high-level solution design and implementation options?

What are the tactical risks and risk mitigation strategies? Are the key baseline and future state assumptions reasonable?

What proof do we have about the key assumptions?

Notice the 360 degree nature of a preliminary assessment – value chain, risk, options, benefits, evidence. The assessment is becoming more rigorous, but we're still a good 20,000 feet above the issue. The physical deliverable is an eight to ten page preliminary or strategic business case with a one to two page business improvement focused executive summary.

Key selling traps in this phase are:

- Telling, not selling. Not asking the right tactical level questions – too strategic or detailed, too narrow.
- Incomplete understanding of business problem and drivers
- No executive sponsorship or poor collaboration, therefore exposed to personal agenda risks
- Product-centric, technology or 'off-the-shelf' solutions led approach versus customer-specific, problem-led approach
- ROI assessment is too detailed
- Overlook 360-degree nature of the assessment.
- Miss key credibility builders – risks, options, value chain oriented problem definition and proofs

Result: No sponsorship to next steps.

Stage 3: Detailed Assessment

Customers are willing to assign significant resources to conduct a detailed assessment. They are keen to explore the operational design options, risks, and financial benefits at the 1,000 to 5,000 foot level. Credibility is developed by working collaboratively, using an agreed 'business case' methodology and joint business case assessment workshops.

Deatiled Assessment

Credibility is developed by working collaboratively.

The key point is the changing nature of the business improvement assessment process—from strategic to tactical to operational.

The organisation will conduct a rigorous 360 degree assessment – value chain oriented problem definition and solution design, risk assessment, options evaluation, financial and non-financial benefits and proofs. The physical deliverable is a 20 to 100 page business case with a one to two page business improvement focused executive summary.

Key selling traps in this phase are:

- Poor strategic alignment
- Incomplete understanding of business problem and drivers
- Lack executive or cross-functional buy-in to a collaborative process, the business case and key assumptions
- Overlook 360-degree nature of the assessment.
- Miss key credibility builders – risks, options, value chain oriented problem definition and proofs
- Lack of evidence or financial proofs

Result: Find out business improvement concept / project is not a priority. Cross-functional agendas undermine key assumptions. Wasted cost of sale.

Unfortunately, there's no one-size-fits-all, silver bullet training pill or ROI calculator. But there are repeatable business improvement selling solutions aligned to the customer's three-staged decision making process.

The outcome is to move your sale through the customer's capital funding and decision making process as quickly as possible. Only the highest ROI, lowest risk opportunities will survive. Sometimes you need to go slow at the beginning in order to speed the overall process. The key point is the changing nature of the business improvement assessment process – from strategic to tactical to operational.

Each stage invokes very different sales challenges, conversations and executive business case selling capabilities. Ignore these three stages at your own peril. Or, align you sales process to your customer's capital decision making process and reap the benefits.

Table 1 on the next page summarises the three-stage process.

For more information on business case tools, training, and other resources, contact:

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Table 1 – Executive Business Case Selling Process

	Stage 1 Business Improvement Concept	Stage 2 Preliminary Assessment	Stage 3 Detailed Assessment & Approval
Description	Back-of-the-envelope financial assessment of improvement concept. Test fit with strategic direction and priorities.	High-level problem definition and scenario analysis. Preliminary financial , risk and solution options assessment.	Detailed problem definition and scenario analysis. Detailed financial, risk and solution options assessment.
Customer's Go / No-Go Decision	Invest more resources to assess concept?	Invest more resources to assess detailed solution?	Approve capital funding for implementation?
Sellers Outcome	Awareness & Interest Executive sponsorship to next step. Commitment of resource to collaboratively assess the opportunity.	Preference RFP lock-out Executive sponsorship	Action Decision to select our solution
Sales Process	Qualify	Develop solution concept	Detailed solution design, proof of concept and close.
Compelling Deliverable	Financially focused, strategic, business improvement discussion paper <u>tailored</u> to your customer's situation. 1 to 2 page exec summary.	Preliminary business case or feasibility study (5 to 10 pages) Aligned to business objectives	Detailed business case or feasibility study (20 to 100 pages) Aligned to business objectives
Collaborative Sessions	CXO discussion Joint cross-functional business manager workshop	CXO briefings / update Joint cross-functional preliminary assessment workshops	CXO briefings / update Joint cross-functional business case workshops
Credibility Builders	Discuss strategic risks and mitigation strategies Discuss strategic options ROI proofs, reference sites	Tactical implementation risk management strategy High-level solution options assessment Key assumptions proofs	Detailed implementation risk management strategy Detailed solutions options assessment Sensitivity analysis and assumption proofs
Selling Traps	Poor preparation and understanding of strategic and financial drivers ROI calculator assessment is too detailed and lacks strategic context Product-centric approach Business improvement concept not pre-tested prior to executive session <i>Result: No sponsorship to next steps.</i>	Poor understanding of business drivers No executive sponsorship ROI assessment is too detailed Overlook key credibility builders – risks, options, value chain oriented problem definition and proofs Product-centric approach <i>Result: No sponsorship to next steps.</i>	Poor strategic alignment Lack executive or cross-functional buy-in to a collaborative process, the business case and key assumptions Lack of financial proofs <i>Result: Find out business improvement concept / project is not a priority. Cross-functional agendas undermine key assumptions. Wasted cost of sale.</i>