Unlock operational value creation in B2B software companies

A Management Handbook for Executives, Board Members, and Investors

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Preface

Today, **private equity (PE) firms find their traditional financial strategies less effective** due to the end of a long period of historically low interest rates. A shift toward a higher-rate environment, stricter regulations, and intense competition has forced PE firms to adapt from a model based primarily on cheap debt and multiple expansion to one focused on operational value creation.

But **creating operational value is difficult** today for all B2B software companies due to market saturation, heightened buyer expectations, and complex decision-making processes. As the market matures, simply offering a functional product is no longer enough to win and retain business.

This management handbook offers investors, board members, and executives thorough guidance on how to unlock operational value creation in B2B software companies. Key insights and best practices from recent research and decades of CEO experience, including my own, are organized along 7 essential management axes.

7 management axes condition value creation in a B2B software company

– The “Keen7”.

CEOs can gain a comprehensive understanding of operational value creation, enabling them to navigate today's challenging market conditions more effectively. By leveraging the "Keen7" management axes outlined in the document, they can not only address evolving buyer expectations and intense competition but also optimize internal operations for sustainable growth, improved profitability, and enhanced company valuation. Whether leading a startup, scaling a growth-stage business, or managing a mature enterprise, CEOs can use this resource to focus their actions, identify new opportunities, and drive successful outcomes for their organizations.

Board members can gain a structured framework to evaluate and support executive teams of B2B software companies. With the "Keen7" management axes, board members are equipped to better understand the challenges CEOs face in today's market and contribute more effectively to strategic decision-making. The handbook enables more informed oversight, enhanced alignment with executive teams, and the ability to drive long-term growth and profitability. By leveraging this resource, board members can help foster a culture of continuous improvement and innovation, ultimately leading to improved company performance and shareholder value.

Investors can gain a clear, actionable roadmap to evaluate and support operational value creation in B2B software companies. By understanding the "Keen7" management axes, investors can identify opportunities for long-term value and guide portfolio companies toward improved financial performance and market leadership.

Throughout my career, I have often wished for the existence of a comprehensive management handbook. Upon being appointed CEO at Axway, then a $75M revenue company, following three years as Chief Product and Technology Officer, I possessed an in-depth understanding of the organization's people, products, operations, and customer requirements. Nevertheless, I had to independently acquire the principles of 360° leadership and how to induce value creation from the top. Like many CEOs, I learned through experience, growing revenues to $350M, securing five global leadership positions, completing seven acquisitions across six countries, and managing Axway's transition to a publicly listed entity. As a member of the newly established board, I found myself once again wishing for such a handbook to foster effective dialogue with fellow directors, each accomplished leader but from different industries.

After a decade as Axway's CEO, I embarked on an entrepreneurial venture, founding Sky Republic. I bet that a small team of engineers in Phoenix, Arizona, could develop a superior enterprise blockchain for supply chains than IBM. This was achieved; however, when IBM discontinued its blockchain division after consecutive missed targets, it became evident that even market giants can struggle to achieve product-market fit. This journey provided firsthand insight into building a business from inception, progressing "from Zero to One." Each initial milestone—such as recruiting the first employee, attracting the first investor, launching the first product and website, acquiring the first customer, and generating the first million in revenue— presented unique challenges, for which Keen7 also offers valuable guidance.

In summary, this handbook is designed to equip leaders, board members, and investors of B2B software companies with actionable insights and a proven framework for operational value creation. By focusing on the Keen7 management axes, you can confidently address the evolving challenges of today's competitive landscape, drive sustainable growth, and maximize long-term value for your organization. Whether you are navigating early stages, building or scaling a mature enterprise, I hope the guidance within these pages empowers you to make informed decisions and achieve transformative results.

Chris Fabre

How the Keen7 axes unlock value creation

What is value creation?

B2B software companies, like other businesses, create value for their shareholders by generating Free Cash Flow (FCF) and increasing their valuation. While future FCF projections define the intrinsic value of a company, software companies' valuations are influenced by a combination of internal and external factors:

Financial and growth performance

- **Revenue growth:** The faster a company grows, the higher its valuation multiple tends to be. For software-as-a-service (SaaS) companies, revenue growth is often the single most important factor for valuation.
- **Profitability and margins:** As a company matures, its ability to generate profit and maintain high gross margins becomes critical. Efficient operations that increase the gap between revenue and costs can boost a company's value.
- **The "Rule of 40":** This common SaaS metric evaluates the balance between growth and profitability. The rule states that a company's revenue growth rate plus its profit margin should total 40% or more. Companies that exceed this benchmark often command higher valuations.
- **Recurring revenue:** Vendors with a strong subscription-based business model (SaaS) are often valued more highly because their revenue is predictable and reliable.
- **Effective pricing:** A well-designed pricing model can accelerate revenue growth, which in turn increases valuation. Modern, usage-based models that align cost directly with the value a customer receives can be more valuable than traditional flat-rate pricing.

Market position and customer metrics

- **Customer acquisition and retention:** A healthy business can attract new customers efficiently and keep existing ones from leaving (low churn).
- **Net dollar retention (NDR):** This metric measures the change in a vendor's recurring revenue from its existing customer base over time. A high NDR indicates a company is successfully upselling and cross-selling to current customers, a major driver of value.

- **Competitive landscape:** A company's valuation can change based on its position relative to competitors. If a vendor is seen as a market leader with a strong competitive advantage, its value may increase.
- **Customer diversity:** A diverse customer base is more stable and is viewed favorably by investors.

Technology and intellectual property

- **Proprietary technology:** Unique technology or intellectual property (IP) sets a company apart and can significantly increase its valuation.
- **Product innovation:** The ability to stay ahead of technological trends, particularly with the rise of AI and automation, can directly impact a vendor's future growth potential and market appeal.

Leadership and operational factors

- **Management stability:** A strong and stable management team reassures investors that the business can continue to grow and succeed.
- **Scalability:** Investors want to see a clear path for expansion. A scalable business model—one that can grow revenue without a proportional increase in costs—will generally command a higher valuation.

Keen7 assessment and benefits

A Keen7 assessment is designed to identify operational opportunities that may improve Free Cash Flow and increase company value by considering factors outlined in the previous chapter and more than 30 common operational levers from the Keen7 axes.

Board members and executives are interviewed to quickly evaluate each axis, and company performance is benchmarked. The most promising improvements are analyzed further, leading to a tailored action plan for the company's market and stage. The final step is to implement the plan and achieve results.

Companies often prioritize fast revenue growth and profitability, whether achieved organically or through platform acquisitions. While sales efficiency and R&D productivity are frequently identified as obstacles, these issues typically indicate deeper problems. A thorough root cause analysis usually points to needed improvements across all Keen7 axes for greater value creation.

The following table shows for each lever its potential impact in terms of value creation, the effort level required from the company, and the time frame to get results.

Value Creation Lever	Impact	Effort	Time frame
Change leadership and culture	Very High	High	12 months
AI transformation	Very High	High	18 months
Cloud transformation	Very High	High	18 months
International expansion	Very High	High	18 months
Mergers and acquisitions	Very High	High	18 months
Partner ecosystem	Very High	High	18 months
Organizational design	High	Low	6 months
Pricing optimization	High	Low	6 months
Lead generation efficiency	High	Medium	9 months
Customer success	High	Medium	12 months
Lean software development	High	Medium	12 months
Onshore, offshore, and hybrid model	High	Medium	12 months
Product Management	High	Medium	12 months
Product Marketing	High	Medium	12 months
Sales efficiency	High	Medium	12 months
Branding	Medium	Low	6 months
Business monitoring & corporate cadence	Medium	Low	6 months
Financial control	Medium	Low	9 months
HR processes and people development	Medium	Low	9 months
Divesture	Medium	Medium	12 months
Going private	Medium	Medium	12 months
Going public	Medium	Medium	12 months
Diversification	Medium	High	18 months
Quality, risk, and compliance	Low	High	12 months

Pricing optimization and organizational design offer fast, relatively easy, and effective ways to boost revenues and margin.

Strategy relevance is excluded from this table since it influences the effectiveness of all other factors but does not directly generate value. Updating a strategy typically requires three to six months.

Strategy Relevance

A strategy is a long-term, high-level plan to create value and guide company execution that can be defined by the following eight components:

- ✓ **Vision**: what does the company want to become and/or achieve in the future? Defines the end state of the strategy
- ✓ **Mission**: what is the company's business and purpose? Defines what the company does now, how and why it does it.
- ✓ **Arenas**: which product categories, geographical markets, industries, and channels will the company focus on?
- ✓ **Differentiators**: what company attributes and product features will set you apart from competitors? (pricing, quality, customer service, etc.). Synthetize them in a "secret sauce" which should be articulated in couple words: "Best in class", "SME champion", ...
- ✓ **Vehicles**: which mix of internal development, M&A, and partnerships will be used to achieve the vision?
- ✓ **Transformations**: what are the operational or corporate transformations required to execute the strategy?
- ✓ **Economic logic**: what will be the business model and core financial mechanism for profit? What are the financial goals?
- ✓ **Milestones**: what are the key milestones on the strategic path, their order and timescale?

Strategy relevance refers to how well the plan, including its goals, tactics, and intended outcomes, aligns with the current and future external and internal environment to maximize value creation.

> **Management Tip**
>
> Unless your company has a significant societal impact or is creating/disrupting a market, your vision doesn't have to be highly aspirational.
>
> A concise, quantified statement such as “Become a $500M market leader with 40+% EBITDA and local operations in NA, EU, and APAC" facilitates the understanding and execution of the strategy.

How to design a relevant strategy?

A strategy is developed through a simple process:

- Perform a SWOT analysis of the company,
- Conduct a market analysis of each of your current and potential products,
- Define viable options for your vision factoring in economic trends, shareholders' interest, and their exit preference (No exit, sale, IPO, ...),
- Identify what each option requires in terms of transformation, human and financial resources,
- Elaborate financial projections quantifying revenues, profitability, working capital, free cash flow, funding needs, and shareholders' return,
- Select the best option, introduce optimistic and pessimistic scenarios, identify related risks, and define mitigation measures.
- Adjust your mission statement if the company should be perceived differently by its stakeholders to enable the new strategy (pivot, etc.).

Its relevance depends on the accuracy and depth of the work done in each step, the SWOT and market analysis being absolutely critical.

> **Management Tip**
>
> Common strategy development bias is to replicate what worked in the past to grow the company but "Experience is a lantern that is carried on our back and only lights the path behind us".

SWOT analysis

A SWOT assesses internal strengths and weaknesses, and external opportunities and threats to inform and validate strategic decisions.

Be aware of common issues hindering effective strategic planning:

- being too vague or superficial,
- failing to prioritize the identified items,
- neglecting external factors and overlooking data-driven insights,
- treating the analysis as a static, one-time event rather than a dynamic, ongoing process.

Use an iterative and dynamic process and focus on concrete and actionable insights.

Management Tip

Seek diverse perspectives and conduct thorough research to counter overconfidence, optimism, groupthink, and other biases.

Market analysis and positioning

A market analysis is an assessment of a specific industry's market, its dynamics, and attractiveness. It is useful to evaluate the viability of a current market position, a market entry, or business expansions.

Conduct a thorough analysis to avoid outdated or irrelevant strategies:

- locate the market within an established segmentation (Gartner preferably), quantify its size and growth, and detail use cases that define it,
- identify its business drivers, gaps, barriers to entry, and current trends,
- identify key players' market share, competitive advantages, strengths and weaknesses,
- analyze your strengths and weaknesses against those of competitors and market opportunities,
- identify possible market positioning, competitive strategies, and achievable CAGR and market share goals (Serviceable Obtainable Market).

Management Tip

Consider your long-term trajectory in the market ensuring you will hold sustainable positions competing against vendors you can beat.

When to upgrade your strategy?

According to research, 50% to 87% of strategies fail.

You'll find in addendum the twenty most common reasons to help you perfect your strategy or troubleshoot execution problems.

They fall in three categories:

- strategy development and planning failures,
- implementation and execution failures,
- cultural and adaptive failures.

Appropriate remediation may include organizational changes (See Organizational fitness axis), progress monitoring (See Operational governance), and/or strategy upgrade.

Here are the six additional, not mutually exclusive cases where your strategy hasn't failed but may be irrelevant and need an upgrade:

1. Your financial situation doesn't allow you to execute your current strategy further. Go to "Turnaround case" if you are in financial distress.
2. You can allocate capital to generate more shareholders return having idle cash or a low debt ratio.
3. Your strategy delivered unexpected positive results and you can double-down on that success.
4. You need to pivot due to shifting market dynamics: economic downturn, new regulations, disruptive technologies or business models.
5. You identified new, major market opportunities that you can leverage.
6. Your strategy will deliver lower returns than expected or than other market players.

Management Tip

SaaS and software companies in general need to shift strategy to break through a key revenue threshold ($1M, $10M, $100M, $500M, $1B, ...).

First thresholds usually require narrowing market focus while later milestones require broadening market focus.

Turnaround case

A turnaround is the process of reversing a company's poor performance to restore it to profitability and stability through strategic, operational, and financial changes. To save a struggling business from financial distress or decline and guide it back to long-term viability and growth:

- Stabilize the crisis by conserving cash, diagnosing the root causes of the poor performance, and rebuilding confidence,
- Develop an action plan to address these issues - Consider reducing business size/scope, financial restructuring, and market repositioning,
- Execute the plan starting with 'quick wins", monitor its progress, be flexible to adapt it as needed, communicate openly with all stakeholders.

When possible, conduct a strategy upgrade.

> **Management Tip**
>
> Make cash and people your Top 2 priorities in bad and good times.

Business transformation

This axis includes transformations of the corporate structure and portfolio that are not purely operational in nature. It includes:

- Mergers and acquisitions,
- Divestures,
- Diversification,
- International expansion,
- Going public or private.

Mergers and acquisitions

M&As create value by increasing market share and power, reducing costs through economies of scale and synergies, expanding into new markets and customer segments, acquiring new technologies and talent, diversifying business operations, and fostering innovation and new product development.

Identify relevant targets using IT analyst briefings/market analysis and customers, partners, and employees' interviews.

Validate opportunities via thorough due diligence including post-merger integration planning and synergies modeling.

Management Tip

Manage ambitions and fears of people on both sides pre- and post-merger.

Divesture

Divesting non-core or underperforming assets create value by refocusing financial, operational, and managerial resources towards its main, most profitable line of business, enhancing financial health through increased cash, and triggering transformation for higher performance.

- Review your entire business portfolio to identify assets impeding your goals.
- Determine what makes them valuable to a potential buyer.
- Create a separation thesis that prepares both the divested company and the remaining company to deliver value.

- Prepare assets for sale de-integrating them with parent company, streamlining operations, etc.
- Create a separation plan.

> **Management Tip**
>
> Secure key employees to preserve the performance and value of the divested business.

Diversification

Diversification creates value by multiplying revenue streams, reducing reliance on a single market or product, and offering greater resilience to market fluctuations, leading to improved financial stability and long-term sustainability. It also enhances brand reputation and creates a competitive advantage by allowing to meet a wider range of customer needs and adapt to evolving market trends.

To introduce organically new products to new markets, consider gaining initial market share within your customer base.

Evaluate precisely the cross-selling potential by identifying which customers already use products from the competition.

> **Management Tip**
>
> Consider acquisitions unless you can leverage a first-mover or undisputed competitive advantage.

International expansion

International expansion creates value by increasing revenue through access to new markets and customers, improving profitability by achieving economies of scale, and improving brand recognition. It also presents unique challenges:

- navigate complex cultural differences and overcome language barriers,
- ensure product-local market fit, adapt to local competitive landscapes, and support efficiently remote customers,
- comply with diverse legal and tax regulations, adapt to local payment preferences and currency fluctuations,

- manage increased operational complexity and higher costs.

Invest progressively in remote operations, reevaluating frequently accessible growth and profitability.

Management Tip

Consider acquisitions unless you can leverage a first-mover or undisputed competitive advantage.

Going public or private

Going public gives access to capital without taking on debt, enhances brand credibility, and enables equity plans that can attract the best minds and keep key personnel in place. Disadvantages are a necessary focus on short-term gains and increased G&A costs pre- and post-IPO from underwriting fee to investor relationships and regulatory compliance.

Going private allows focus on long-term strategies, frees up management time, and reduces operating costs.

Management Tip

Sustaining high revenue and earnings per share growth is critical for maximizing a public company's enterprise value.

Organizational fitness

Organizational fitness refers to an organization's ability to adapt and excel with minimum managerial overhead. A fit company is agile, resilient, and committed to ongoing improvement. Among the Keen7 axes, this one is often overlooked—even though people drive or resist change.

Change leadership and culture

Value creation requires change as a company must continuously improve, transition, and transform to create more value.

- Define leadership in your organization as leading change - If people are not leading change, they are not leading, they are managing.
- Inspire, motivate, and guide the organization through change in uncertain and certain times to shape your company culture.
- Create a safe, inclusive environment with transparent communication and open-door policies to foster employee engagement.
- Systematically break organizational silos and ensure that the right people are in the right place.

Management Tip

Build trust to provide the confidence and security employees need to take risks, admit mistakes, and work towards shared goals. Lead by example.

Organizational design

Strategy execution is commonly fraught with failure. Research suggests that 90% of organizations suffer from the misalignment of their organizational design with their strategy. To align your organizational structure with your strategy:

- **Declare amnesty for the past**: Senior executives often get caught up in discussing the pros and cons of the old organization,
- **Fix business problems first, organizational structure last**: Org changes don't fix business problems, they scale solutions,
- **Make the most of top talent**: Design positions to make the most of the people who will occupy them rather than applying industry practices,

- **Design an optimal and sustainable orgchart** with the spans of controls and layers required for managers to conduct business efficiently,
- **Promote accountability**: Ensure decision rights are clear and information flows properly within the company.

> **Management Tip**
>
> Don't rely exclusively on setting goals and metrics to successfully execute your strategy. Align your organization empowering people capable and committed to make change happen.

HR processes and people development

Standardize processes for recruiting, reviewing performance, and promoting using a career grid and benchmarked compensation levels.

Systemize talent detection, challenge high potential employees offering mentorship, and nurture high performers.

Ensure employees' needs for meaningful work, growth opportunities, success, and recognition are fulfilled across your company.

Grow enough talent to fuel your strategy. You can't outperform competitors or acquire businesses without stronger managers.

> **Management Tip**
>
> Change demands skills and energy from your managers. Coach them like they are athletes.

Operational governance

Operational governance is the framework of policies, processes, and structures that guide and control an organization's day-to-day operations to ensure alignment with strategic objectives, compliance with regulations, and efficient execution of tasks.

Business monitoring & corporate cadence

Business monitoring is about continuously observing and analyzing business performance, processes, and key indicators to ensure goals are met, identify problems or opportunities, and make informed decisions.

Corporate cadence is the recurring, structured pattern of meetings and activities designed to maintain rhythm and focus on the three horizons of a business:

- Monthly or Quarterly Closing,
- Yearly Budget,
- 3- to 5-years strategic goals.

Business monitoring and corporate cadence aim at increasing business agility and effectiveness across Keen7 axes:

- Implement systems for the organization to effectively collaborate on business events (sudden sales opportunities, customer crisis, project difficulties, etc.) and review progress on action plans and strategic programs.
- Use simple reporting tools based on "Red/Yellow/Green" dashboards and critical KPIs (Revenues, margin, cash, Annual Recurring Revenue, Average Revenue per User, Customer Acquisition Cost, Customer Lifetime Value, Churn rate, Customer Satisfaction Score, Net Promoter Score, ...) to share and monitor business health.

> **Management Tip**
>
> A unified executive team is a prerequisite for operational excellence.

Financial control

Make all managers accountable and fight waste which occurs naturally in organizations to reduce expenses by up to 15%.

Provide tools for department/division managers to monitor their P&L (budgeting, forecasting, and closing) and submit requests for hiring, travel, purchasing, and other operational expenses. Centrally manage requests to enforce policies, avoid fraud, and optimize terms with suppliers.

Enable sharing of internal competencies, skills, knowledge, and resources.

Reduce invoicing and payment collection times considering partial or full automation to reduce Days Sales Outstanding up to 100%.

Quality, risk, and compliance

Implement relevant policies/procedures and conduct thorough audits regularly to gain customer trust, avoid costly penalties and disruptions.

Automate, centralize, and use a risk-based approach to optimize costs related to data privacy, cybersecurity, product quality, regulatory compliance, and business continuity.

Leverage certifications as competitive advantages, especially in mainstream markets.

Market focus-fit-capture

Once strategic market positioning has been defined (See Strategy Relevance axis), market focus-fit-and capture is a company's ability to scale growth by:

- identifying and prioritizing opportunities in the market (FOCUS),
- supporting targeted business use cases (FIT),
- and maximizing sales effort to gain market share (CAPTURE).

It requires constant monitoring of market needs and customer behaviors, aligning product vision and features, and sharpening lead generation and sales playbooks.

How is it done?

As a company is rarely in a position to compete successfully on every deal, it's crucial to **focus on market segments** where the company can grow revenues with a good win rate. Main customer characteristics used to define segments are:

- **size**: Small and Medium Enterprises (SMEs) want good enough technology at a low Total Cost of Ownership (TCO) while Large Enterprises (LEs) want best in class feature sets to manage their business complexity. SME segments usually induce cost-based pricing while LE segments allow for value-based pricing.
- **location**: acquiring and supporting customers overseas can be difficult and expensive,
- **industry**: a good understanding of customer's business pains and challenges facilitates sales unless you are selling to IT. Also, some industries like Banking or Healthcare gain more value for technology and are reading to pay more than others.
- **use cases**: a use case defines WHAT customers can do with the product and WHY they should do it. An example of WHAT is "automate the collection of supplier data and secure ESG reporting". The WHY would be "Save costs and avoid compliance fines by suppressing manual work and eliminating excel files". Use cases impacting top revenues are the easiest and fastest to sell, followed by use cases that mitigate risks (compliance, cybersecurity, business disruptions, etc.), and last use cases that save costs.

A key criterion to select a segment is the **product market fit** with the segment's use cases compared to the competition or in-house alternatives. Product features condition which use cases can be implemented and how easily and quickly customers can achieve their goals.

It happens, especially with infrastructure software like Middleware or Artificial Intelligence, that new use cases emerge once the technology is available. APIs were originally designed to upgrade legacy B2B exchanges (EDI) and didn't take off until they proved to be best for mobile and cloud integration. Customers are the most reliable source to identify promising use cases but not to drive innovation as underlined by the famous quote of Henry Ford - "If I had asked people what they wanted, they would have said faster horses".

New product features or architecture take time to develop and the technology market evolves quickly with major changes every three to five years on average. A software company should update its product strategy frequently and execute consistently on a proactive product roadmap to sustain growth in the long run. New features and adds-on should be regularly released to continuously upsell or cross-sell existing customers, acquire new customers, and remain competitive through market inflexion points.

When competition is too strong from a product perspective, market fit can be found by pivoting the product strategy and reducing the targeted audience ("the best CRM for auto shops") and/or catering untapped customer needs ("the social CRM").

Use the Sean Ellis test to verify you reached product/market fit: at least 40% of users would be "very disappointed" if the product vanished.

Market capture is the ability to gain market share ideally faster than the competition when market fit exists.

First, it requires persuasive branding, messaging, and thought leadership to clearly communicate the company's value proposition online. An estimated 80% to 90% of buyers have created a shortlist of preferred vendors before formal research even begins. When they do engage, most have already formed a strong preference. A 2021 study showed that 68% of B2B buyers preferred to do their own research rather than talk to a sales representative. These behaviors explain the recent enthusiasm for Product-Led Growth (PLG) strategies where value is directly delivered to the user through a self-serve experience. Though, PLG is not adapted for complex products or large enterprises where sales are long and require relationship-building.

Another common growth strategy in B2B tech is Land and Expand where a company first secures a small, initial deal (the "land") with a customer and then expands the relationship over time by selling more products or services to that same customer.

Second, market capture requires enabling lead generation and sales with actionable playbooks describing established tactics, procedures, and best practices.

Third, it benefits from strong IT analyst relationships to provide independent, third-party validation. Gartner or Forrester heavily influence the purchasing decisions of enterprise buyers.

Typically, product marketing and management teams jointly drive market focus. Product management drives market fit working closely with R&D (see R&D productivity axis) and product marketing drives market capture working closely with lead generation and sales (see Customer growth axis). Product management is an inward-facing team focused on defining and building with R&D a product that solves customer problems, while Product Marketing is an outward-facing team focused on positioning, launching, and promoting that product to the right audience.

> **Management Tip**
>
> In an emerging market, most customers are not actively looking for solutions because they are uncertain about the benefits of the technology or simply unaware of their needs. It's hard, long, and costly to pull them into deals. The solution is to target innovators who constantly search for competitive advantages because they have the skills, money, motivation to make the effort.

Market intelligence

Continuously gather and analyze information from the market to improve your Market Focus, and Fit, and Capture capability:

- **Market dynamics**: watch out for new regulations, disruptive business models or technologies, industry and technological trends, etc.
- **Competitors**: talk to their customers and know their strengths and weaknesses, strategies, use cases, products, pricing, references, reviews, campaign activities, etc.
- **Customers**: monitor their needs, motivations, and pain points through win/loss and account reviews, industry organizations, etc.

Product marketing

Product marketing is about driving market adoption and includes product messaging and content, enabling lead generation and sales with playbooks and training, and managing IT analyst relationships. The foundational work is to define the four following items:

- **Ideal Customer Profiles**: considering your customer base and market research, define which companies would benefit the most from your product in order to target the right ones.
- **Buyer Personas**: define the typical role, behaviors and preferences, motivations, and pain points of decision-makers or influencers at an ICP.
- **Use Cases**: define what an ICP would do with the product and why. Describe in technology-free terminology the sequence of actions that must be performed by people or systems, internal or external to the business, to achieve their goals.
- **Business Cases**: define why an ICP should invest in your product for one or more use cases, why the product is best at addressing them, and outline the potential financial benefits and Return on Investment (ROI) it offers.

> **Management Tip**
>
> Business cases validate use cases. The internet is full of use cases that enterprises never implemented because the financial and operational efforts required were not worth the return. Remember grid computing, IoT, blockchain, ...
>
> On the other hand, "boring" use cases about data quality or process automation can save millions to enterprises.

Product management

Product management is about designing and building a competitive product. It includes the management of the product vision, strategy, roadmap, backlog, R&D and support programs, and thought leadership content.

At its core, product management is about defining product features that satisfy customers considering their constraints (processing speed, data volumes, security, compliance, etc.).

Through collaboration with R&D, which usually is in charge of the product architecture and detailed specifications, use cases are detailed into product use cases describing step-by-step interactions between a primary actor (user or another system) and the product features to achieve a specific goal.

But product design is not a mechanical process. When product management and R&D teams possess superior vision, creativity, expertise, speed, and strategy, any competitor can be beaten, even the ones with bigger budgets.

Management Tip
"You get the customers your product deserves"

Pricing optimization

It's not unusual in B2B markets that a vendor underprices its product by up to 50% compared to what customers are willing to pay. A price increase can have a huge impact on its top and bottom lines without eroding its competitivity.

A well-designed pricing model accelerates revenue growth:

- **Models for generating more revenue from existing customers:**
  - **Value Metric-Based Pricing**: You charge based on a metric (users, data, transactions) that grows as the customer's success grows.
  - **Tiered Pricing**: Offering different plans with varying features and price points allows you to capture more market share and provide a clear path for customers to upgrade.
  - **Per-User Pricing**: As a company grows, it adds more users, directly increasing your revenue.
- **Models for Attracting New Customers:**
  - **Freemium Pricing**: You offer a basic version of your product for free, with an option to upgrade to a paid version with more features.
- **Models for Market Responsiveness:**
  - **Dynamic Pricing**: Prices are adjusted in real-time based on factors like demand, inventory, and customer behavior like Uber's surge pricing for example.
  - **Penetration Pricing**: Set a low initial price to quickly gain significant market share.
- **Hybrid Model:**
  - **Hybrid Usage-Based Pricing**: A base subscription fee combined with charges for usage provides a predictable revenue floor while still offering flexibility.

Key principles for growth-oriented pricing are:

- **Align with customer value**: Ensure your pricing reflects the value your customers receive.
- **Provide upgrade paths**: Make it clear and logical for customers to spend more as they gain more value.
- **Balance flexibility and predictability**: Offer options that suit different customer needs while ensuring your own revenue forecast is stable.
- Maintain the **best product price points** using data-driven approaches and considering your profitability and hunting/farming growth targets.
- Define **standard contract terms for yearly increases** of at least inflation rates.

> **Management Tip**
>
> A 5% price increase can result in 20% EBITDA boost.

Branding

Branding boosts lead generation up to +100%, enables higher prices, increases customer recognition and loyalty, and simplifies their decision-making.

Craft your corporate identity (name, logo, website, social presence, etc.) to efficiently communicate your market positioning and secret sauce. You need the right creative skills to develop an impactful brand, not necessarily a big budget.

Then, leverage thought leadership and customer success as nothing else will strengthen your brand significantly.

> **Management Tip**
>
> Study your competitors' identity to differentiate and catch prospects' eye.

Cloud transformation

Transitioning from licensing to subscription generates long-term growth and improves enterprise value.

Design a SaaS or PaaS offering tailored for your clients' needs in terms of infrastructure (public/private/hybrid cloud), sovereignty, multi-tenancy, etc.

Sell Cloud-First then Cloud-Only.

AI transformation

Artificial intelligence can help you deliver superior business process automation and/or user experiences.

Assess how AI's ability to process unstructured data (natural language, documents, images, ...) can improve your products.

Elaborate your AI strategy in terms of product augmentation or core evolution, data quality/bias, privacy, security, etc.

> **Management Tip**
>
> To stay in front of competitors, play to win, not to avoid losing.

R&D productivity

R&D productivity measures how effectively a company converts its investment in research and development (R&D) into tangible revenue growth and valuable outputs like new products or features, customer retention and satisfaction.

R&D aims at delivering product innovation and maturation in proportions depending on the company strategy and market stage.

Lean software development

Lean software development creates value by maximizing customer value from R&D investment. It's often defined as the direct benefit of using agile methodologies. But relying on agile methodologies to eliminate waste and maximize value creation is a false belief. They can induce less predictability in estimating time and resources, resistance to change from teams and management, challenges in scaling practices to large organizations, scope creep, costly reworks, and project derailments.

Consider Lean Software Development as a set of practices, including agile methodologies, to be applied when appropriate at project and organizational levels.

You'll find the best practices for innovation and maturity project delivery in the next two items. Here are the best practices at the R&D level:

- manage product roadmap, development backlog/tasks, and support activities with one software, tracking related costs.
- build quality in automating DevOps with appropriate tools for non-regression functional/performance testing, compliance checks, ...
- maximize R&D output and minimize waste through a continuous improvement approach: control technical debt, streamline portfolio, improve product ease of use and supportability, ...
- rotate resources to detect/grow high potential engineers and keep your talent pool in line with your innovation & maturation needs.
- experiment with emerging technologies, tools, and practices that can improve your products, accelerate your projects, or reduce your costs.

Management Tip

Fight natural tendency for R&D to operate in silo by involving its staff in customer facing activities, sharing internally R&D's financial metrics and sales' impact, and transferring resources from/to presales or services to diversify DNA.

Innovation project delivery

Innovation is about improving the state of the art by developing a new product, replatforming/refactoring a product, or introducing features requiring major functional or architectural changes. The goal is to increase the addressable market and/or gain competitive advantage.

Risks of budget overrun, missed deadlines, quality issues, or even complete failure are high:

- start with an autonomous team sized with the 2-pizza rule and composed of engineers "built" to create products from scratch,
- adopt agile methodology (Scrum, Kanban, or ideally XP) but design backward from client needs (vet them in detail before designing anything),
- shorten timelines of first cycles and run monthly status meetings between the team and relevant executive board members.

> **Management Tip**
>
> Help the team validate as early as possible use cases, feature sets, and MVPs with prospects or customers to minimize time to success or failure.

Maturation project delivery

Maturation goals are to increase Win Rate, Retention Rate, and Net Promoter Score. Projects can be about a new major/minor version with well-understood features, environment porting, patches, etc. They have a lower risk level than innovation projects but can represent over 75% of R&D budget:

- structure/specialize the organization to efficiently run maturation projects in the long run working hand in hand with support,
- allow experienced project teams with domain and product expertise to forward design and use waterfall methodology,

Adjust maintenance and support capacities monitoring efficiency metrics: Ticket backlog & volume, Average Resolution Time, First Response Time, ...

> **Management Tip**
>
> Reshaping too early or too late an R&D organization for product maturation are common and costly mistakes.

Onshore, offshore, and hybrid model

Offshoring can decrease costs and improve support to remote customers but rarely boosts innovation.

Assess each model Pros and Cons quantifying your short- and long-term needs in terms of costs, productivity, innovation, and distributed support.

Consider compensation and talent pool dynamics within respective markets and plan to fully implement best practices for selected model.

> **Management Tip**
>
> Define a meaningful purpose within the company for each R&D or support offshore center.

Customer growth

Customer growth is the ability of a company to increase revenues either through acquiring new customers (hunting) or expanding revenues from existing customers (farming).

Sales are the front and center of customer growth. Great sales reps can sell a product to a customer who doesn't need it or palliate product deficiencies, but it's difficult and rare.

Solid, scalable customer growth requires strong foundations on all others Keen7 axes.

Lead generation efficiency

Lead generation is the effort to connect with enterprises in your target audience that can benefit from your product.

Grab their attention by showing you deeply understand their problems and how to solve them, then position your secret sauce.

Combine the following approaches to increase quantity of leads and connect with customers:

- **Inbound marketing**: attract customers with useful and engaging content (lead magnets) such as case studies, product sheets, posts, ...
- **Outbound marketing**: find customers broadcasting a message to a broad audience through mail, email, cold calling, or pay-per-click ads.
- **Events**: host or sponsor events (conferences, trade shows, webinars, etc.) to meet customers.
- **Prospecting**: sales reps should ask customers for referrals, conduct regular customer care calls, stay connected with past referrals, highlight their expertise and be social online, do some good, old-fashioned networking, and participate in industry events and associations.

On average, a prospect will engage after seven marketing interactions but this number is not a universal rule. The specific number of touchpoints required varies significantly depending on the quality of the interactions and the prospect's level of interest.

> **Management Tip**
>
> Case studies and references are gold for lead generation. Ask for commitments to both when negotiating favorable commercial terms.

Sales efficiency

The most important factor of B2B sales effectiveness is a **customer-centric model** focusing on building strong, long-term customer relationships and understanding their specific needs and pain points. Shift to this model if your sales representatives focus on closing deals quickly or use pushy or manipulation tactics.

Success for a sales rep in B2B software is 30% product knowledge and 70% relationship building.

Selling to the customer base (upsell, cross sell, or usage expansion) is easier and more profitable on the short-term but acquiring new customers builds long-term growth and sharpen competitiveness. Define growth targets for farming and hunting and structure your organization accordingly.

Align your sales methodology to your product complexity to increase your average deal value and win rate, and decrease your average sales length considering Solution Selling, Challenger, SNAP Selling, SPIN Selling, or MEDDPICC.

It's not unusual to see 20% of sales reps generating 80% of revenues but it's not a good situation to be in. To scale, understand what your top performers are doing better. Hire more reps of that kind and adjust territories, quotas, and comp plans. Challenge your salesforce fairly based on true pipe levels. 70% to 80% should make their quotas.

The following measures can also improve your sales organization's performance and reduce its costs:

- Simplify and automate processes within one CRM to gain visibility, manage customer data, and fuel sales reps' entrepreneurial mindset.
- Leverage account planning to improve your farming growth rate and industry/geography specialization to improve your hunting growth rate.
- Establish the right mix of supporting staff for profitable growth: presales, inside sales/SDRs, special ops, subject matter experts, etc.

Management Tip

To sustain growth, continuously improve your Sales Momentum measured as (QualifiedLeadsQty * AvgDealValue * WinRate) / AvgSalesLength.

Customer success

Bad customer references, high churn rate, and low Net Promoter Score impede growth.

If your product requires a small implementation project, you can provide playbooks from onboarding to production, video tutorials, a knowledge base, and a hot line.

Otherwise, you need to set up a Professional Services Organization as strong as your product is complex. PSO shouldn't hurt your margin and represent more than 25% of your revenues.

- Assign a Technical Account Manager to your most strategic and/or largest customers to ensure short- and long-term success,
- Incentivize your TAMs to generate upsell/cross-sell leads,
- Involve PSO in sales cycles to quote realistic implementations.

> **Management Tip**
>
> Sales reps must set correct expectations about product implementation to turn users into promoters.

Partner ecosystem

Consulting firms and System Integrators (CSI) can double the revenues of software vendors. They usually have deep customer relationships at C-levels and crave vendors' innovation and expertise to nourish them. But customers make their own choices. CSIs easily sign partnerships with market innovators and leaders but invest only in the ones that can generate significant amounts of services at their scale.

Software resellers are good options to expand in countries or industry segments that are too expensive to penetrate organically.

Structure a partner program for committed relationships offering:

- financial incentives: markups (fixed subscription margin, revenue sharing, tiered discounts, rebates, etc.), market development funds, etc.
- a collaboration portal with contract templates, lead and deal tracking, sales/marketing assets, training resources and certifications, etc.
- enablement programs, operational support, and co-marketing activities.

Management Tip

Until CSIs invest significantly in a partnership, maintain tactical, account-based relationships and focus your resources to improve other levers of customer growth and market focus, fit, and capture.

Addendum - Top 20 reasons why strategies fail

Strategy development and planning failures

1. **Unrealistic or unfocused goals:** An effective strategy is built on specific, measurable, achievable, relevant, and time-bound (SMART) objectives. When goals are vague or overly ambitious, they lead to frustration, misaligned efforts, and ultimately, failure.
2. **Insufficient data and analysis:** Creating a strategy without up-to-date and relevant market data is like flying blind. This can lead to flawed assumptions, poor decision-making, and a strategy that doesn't align with market realities.
3. **Ignoring organizational capabilities:** A strategy that demands skills, resources, or capacity the company doesn't have is set up for failure. Organizations must be realistic about their own limitations during the planning phase.
4. **Excessive complexity:** An overly complex strategy is difficult to communicate and execute. If employees can't understand the initiatives, they can't be expected to carry them out effectively.
5. **Failure to address core issues:** Strategies may fail because they focus on symptoms rather than the root cause of a problem. For example, blaming poor marketing for declining sales when the real issue is an outdated product.
6. **Focusing only on the internal:** Failing to consider customer needs, market trends, and competitor actions can result in an unrealistic and irrelevant plan. A strategy must be outwardly focused on remaining competitive.
7. **Prioritizing short-term gains over long-term vision:** Getting distracted by immediate results can lead to neglecting the long-term goals that create lasting value. This can cause unsustainable growth and weaken a company's position over time.

Implementation and execution failures

8. **Poor communication:** This is one of the most cited reasons for failure. If a strategy is not clearly and consistently communicated across all levels of the organization, employees will not understand their roles or how their work contributes to the overall vision.
9. **Lack of employee buy-in and alignment:** Without support from the entire team, execution will fall short. When employees are not involved in the planning process, they often feel disconnected and unmotivated to align their work with the new strategy.

10. **Ineffective leadership:** A lack of leadership support or commitment can undermine the entire effort. Leaders who don't lead by example, fail to hold others accountable, or get easily distracted will jeopardize the strategy's success.
11. **Poor resource allocation:** A strategy is doomed if it lacks the necessary financial, human, and technological resources for implementation. Ineffective resource planning can lead to wasted effort and missed objectives.
12. **Lack of accountability:** When roles and responsibilities are not clearly defined, tasks can fall through the cracks. This makes it difficult to track progress, identify problems, and ensure that initiatives are executed as planned.
13. **Insufficient tracking and measurement:** Without a system for tracking progress using Key Performance Indicators (KPIs), it's impossible to know if the strategy is working. This prevents data-driven adjustments and timely course corrections.
14. **Overcoming resistance to change:** People naturally resist change due to fear of the unknown or disruption of their routines. If not effectively managed, this resistance can actively or passively derail implementation.

Cultural and adaptive failures

15. **Strategy-culture mismatch:** If a new strategy is incompatible with the existing organizational culture, it is highly likely to fail. An organization’s ingrained norms and values can function as a barrier to new ways of working.
16. **Rigidity and inability to adapt:** Strategies that are too rigid cannot adapt to evolving market conditions, customer needs, or competitive threats. In a fast-paced business environment, being agile and iterative is essential.
17. **Treating strategy as a one-time event:** Some companies treat strategy as an annual exercise, creating a plan and then putting it on a shelf. An effective strategy requires continuous review, iteration, and adaptation to remain relevant.
18. **Losing momentum:** Often, initial enthusiasm for a new strategy wanes as employees return to their day-to-day work. Without sustained focus and regular strategic meetings, the plan can fall by the wayside.
19. **Fear of failure:** A company culture that is overly risk-averse can lead to stagnation. When calculated risks are not encouraged, it stifles the innovation needed to drive transformative change.
20. **Ignoring feedback loops:** Companies that fail to gather and act on feedback from employees and customers miss critical opportunities for learning and improvement. This limits the ability to refine and optimize the strategy based on real-world results.

About the Author

Chris Fabre is the founder and managing partner of Keen7 LLC who helps PEs, VCs, boards, and CxOs gain insight in their B2B software companies and deliver alpha through:

- Full or focused Keen7 assessments,
- Acquisition and investment due diligence,
- Operating partner services,
- Fractional/interim CxO services.

Previously, Chris founded Sky Republic Inc and built the Atlas platform for airlines and OEMs to verify the authenticity and compliance of aircraft parts. Atlas was the first zero-trust app Platform as a Service (zPaaS) and recognized in three Gartner Hype Cycles.

Chris started his career as R&D software engineer at Axway where he served as SVP Product Management and CTO leading 800 engineers to release the first comprehensive B2B integration platform ahead of IBM, Sterling Commerce, and Tibco. Promoted CEO, Chris transformed Axway into a US-based, international B2B and API integration leader and took it public, spinning off from the $6B European Consulting and System Integration leader Sopra Steria Group where he seated on the executive board for five years. During his 10-year tenure as CEO, Chris:

- Grew revenues 4.5 times to $350M, EBITDA 7 times, and Enterprise Value 12 times,
- Drove sales transformation into solution selling and industry specialization,
- Achieved 7 accretive acquisitions in 6 countries,
- Led platform strategy and programs gaining 5 leader positions in Gartner Magic Quadrants,
- Created and supervised Finance, HR, Legal, IT, Internal Audit, M&A, and Investor Relations units.

Chris holds a Master of Technology in Computer Engineering from UGA Grenoble and is an American and French citizen.