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Digital Transformation in B2B Sales – differences and best practices in three different European countries

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ABSTRACT

There has been an increasing discussion around B2B sales and the need for its digital transformation as it may strongly accelerate company's performance. Because sales is an essential element of business growth, it is important to study B2B sales and the level of digital transformation on a country-specific level. For this purpose, we studied the role of digital transformation in three different countries from the sales organization's perspective. Our qualitative preliminary findings show that the European Union's classifications on digitalization of European countries do not correlate with the companies' digital transformation of their sales operations in these countries.

Keywords: B2B Sales, Digitalization, Digital transformation

1 INTRODUCTION

The digital transformation is currently challenging business-to-business companies worldwide as it is still unclear, what it will mean for their business models, product portfolios and – most important – for their customer relationships (Schuh et al. 2017, Kaleja 2018, Schmitz/Huckemann 2019). Although it is a global phenomenon, the approaches for dealing with digital transformation seem to be quite different with respect to continents and countries. Digitalization added with customers' changed buying behavior and increasing global competition forces B2B sales organizations to do changes in their sales processes (Cuevas 2018). B2B sales is today seen as a non-linear interactive process and defined recently as "a phenomenon of human-driven interaction between and within individuals/organizations in order to bring about economic exchange within a value-creation context" (Dixon & Tanner 2012). This ongoing significant change in sales combined with digital transformation, here defined as "digital transformation is about adopting disruptive technologies to increase productivity, value creation, and the social welfare" (Ebert and Duarte 2018), may challenge also the companies in different European countries and the ways how they do sales.

B2B sales may be seen as a tool for companies to accelerate international growth. Also, the level of countries' digital transformation may have a role in internationalization, especially when the B2B customers buying processes and expectations have changed (Moncrief 2017, Marshall et al. 2012, Kaski et al. 2017). Moreover, this may be a challenge for several European countries whose economic growth is based on small and medium sized companies (Malshe 2017). Moreover, there has been lately an increasing debate in academia about the digital sales technologies, social media and about the concepts to do B2B sales in this digitalized

world (Ancillai et al. 2020, Marshall et al. 2012, Rodriguez, Ajjan and Peterson 2016, Singh et. Al. 2019). As this digital era is called also as a fourth revolution of sales (Syam and Sharma 2018), we see it as important to study the level of digital transformation and its influence on transition of B2B sales operations. That is why our research questions is: *what is the role of the level of country's digital transformation in digitalizing the sales?* In this study the aim is to study B2B sales in three different European countries.

Due to the existence of the European Union and an already strongly integrated European market, researchers from Austria, Finland and Germany agreed to start a research project on the "Digital Transformation of B2B Sales". The aim of this study is therefore to analyze the current status quo of digital transformation in sales in these selected European countries, find regional commonalities and differences between their companies in business-to-business markets as well as identify best practices. This research study is seen as a preliminary study for a Pan-European research project and tries to answer its main research question mentioned above and additionally to learn from each other's for accelerating the process of digital transformation in sales and thereby increase their competitiveness.

In the following sections the scientific literature on digital transformation in sales is reviewed as well as digital transformation's general status quo within the European Union will be evaluated. In this context, DESI, a European Union's composite index, will be introduced, which enables the European Commission to rank the European countries regarding their overall progress in digital transformation. The main focus of the research paper will be on the assessment and evaluation of the digital transformation in sales of business-to-business companies across these three European countries and to uncover potential interdependencies between the countries' environmental conditions, the companies' internal resource propositions as well as their digital transformation progress. After the discussion of the results the research paper will conclude with the development of managerial implications.

2 B2B SALES AND THE STATUS-QUO OF DIGITAL TRANSFORMATION IN EUROPE

The changing customer behavior has been increasingly under discussions in sales literature. The empowered customers have today more information than before and they have the access to newest knowledge – as at the same time there has been discussions about the decreasing amount of salespeople (Adamson, Dixon and Toman 2012.) At the same time there has been a growing interest on sales technologies and on the use of different social media tools as a part of sales process (Ancillai et al. 2019, Pagani and Pardo 2017, Rodriguez et al. 2016). However, it is said that there is still need for B2B salesforce, but the skills of the sellers are different than earlier (Cuevas 2018, Moncrief 2017). Additionally, to the digital changes from the B2B sales organizations perspective there is a change in the environment where selling and buying happens. As Church and Burke (2017, p.16) has put it, there is a shift to platforms over products. This means that companies have changed their ways more customer centric by involving the customers to operate in the same platforms. This means that there are several actors in digital environments supporting each other's to succeed in competed business markets (Hartman, Wieland and Vargo 2018). These uncertain, ecosystemic and digital environments challenge companies and highlight the need of differentiation and the ways to get the attention of potential customers (see e.g. Hartmann et al. 2018, Moncrief 2017).

Despite the digitalization and the changed customers' behavior, the focus on sales literature has gained focus only recently (see e.g. Singh et. al. 2019). However, the focus on studies

have mostly been on adopting social media tools to the sales process (Agnihotri et al. 2016, Rodriguez et. al. 2016, Wang et al. 2016), but the overall digital transformation in sales have gained less attention (see e.g. Cuevas 2018). We see that there is a need to investigate the digital transformation in B2B sales from a more holistic and governmental perspective. For example, despite the fact that Finland is seen as one of the forerunners in digitalization in Europe, Finnish enterprises have been investing only a small amount in digital tools (Business Finland et al. 2018). However, the competences on leading the digital transformation in B2B sales may be an important area to study. For example, a recent study shows, that for example in Finland, the managers' dynamic digital competences are not on a level that the leaders or founders in SME's would need to be skilled to lead the digital transformation in B2B sales (Mattila, Hautamäki, Yrjölä & Aarikka-Stenroos, forthcoming).

For quite some time the European Commission has recognized the economic relevance of digital transformation for Europe's future. The newly elected European Commission therefore announced in one of its first policy statement that a main policy focus will be on digital transformation of the European economy and society (European Commission 2019a). This policy statement does not come by any surprise as considerable differences regarding the progress of digital transformation can be detected between the European countries – despite its already highly integrated market. Since 2015 the European Commission has published annually the “Digital Economy and Society Index” (DESI) as a part of the “Europe’s Digital Progress Report” (EDPR) (European Commission 2019b). The Digital Economy and Society Index (DESI) is a composite index that summarizes 30 indicators on Europe’s digital performance and tracks the evolution of EU member states in digital competitiveness across the following five dimensions (European Commission 2019c) – including their weighted relevance within the index:

- Connectivity (25%)
- Human Capital (25%)
- Use of Internet services (15%)
- Integration of digital technology (20%)
- Digital Public Services (15%)

The country ranking based on the “Digital Economy and Society Index” shows the following results for 2019:

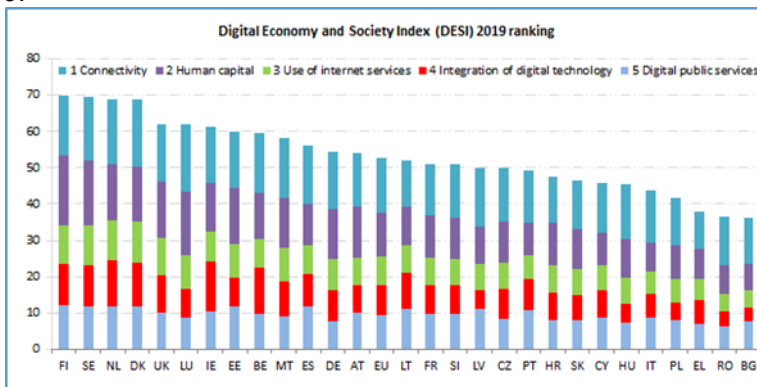


Figure 1. Country ranking based on the “Digital Economy and Society Index 2019” of the European Union (European Commission 2019b).

Figure 1 illustrates that Finland is leading the DESI ranking with an index-value of 69.9, closely followed by Sweden, the Netherlands and Denmark. In comparison, Germany is ranked 12th (54.4), while Austria is following suit on rank 13 (53.9). All three countries, Finland, Germany and Austria, are still above the EU average of 52.5 index points.

As the innovation power of countries is crucial to use chances of digitalization, countries have to prepare an innovation-friendly environment that seems to be given in all three selected countries. Having a closer look at one relevant innovation index of the EU, the so-called European Innovation Scoreboard of the EU, Finland is ranked among the Innovation Leaders whereas Germany and Austria are determined as Strong Innovators. Although all three countries are above the EU average, they have a potential in selling and exporting innovative products and services when analyzing the figures in detail. (European Commission 2019e)

The individual assessment of the countries’ performances based on the five dimensions (Figure 2) indicates that Finland, as the leading country, achieves across all countries the highest scores in the dimensions “Human Capital” as well as “Digital Public Services”. Austria scores in these two dimensions just above EU average, while the country is below average in the other three dimensions. In contrast, Germany performs above EU average in four of the five dimensions, but lacks performance considerably in the fifth dimension, “Digital Public Service”.

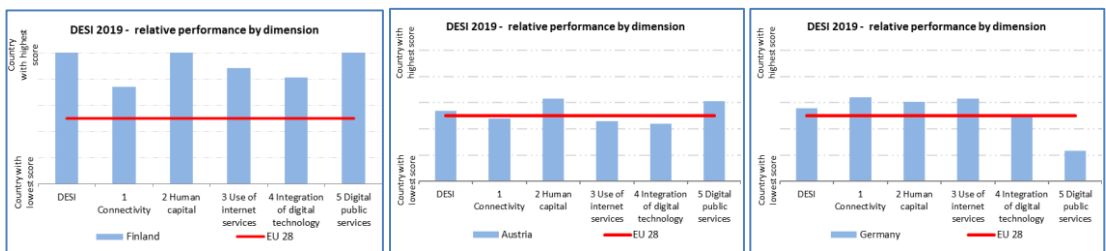


Figure 2. Individual country results for Finland, Austria and Germany (European Commission 2019d).

Mastering the digital transformation successfully will not only be crucial for the European countries, but primarily for the European companies’ and thus for Europe’s overall future competitiveness. Given the results from the DESI ranking, it is of major interest how these different environmental factors are (at all) influencing the digital transformation in sales of business-to-business companies in the different European countries. Although digital transformation will not only be dependent on external factors, they might have a major impact on its speed and the overall successful rate within the companies. Of equal relevance is the impact of internal factors as all departments of companies contribute to the success or failure. Sales has to take over a proactive role in the digital transformation. The Sales Excellence Pyramid, a self-assessment tool for companies, shows that implementing a digitalization strategy, making use of digital tools in the sales process and integrating digital channels increase the success of sales (Füreder, Überwimmer and Karan 2019).

Therefore, the DESI ranking will be complemented by the following research study as regional differences will not only be shown on a highly aggregated level as it is done until today by the European Commission, but also provide additional insights based on various industries as well as on an individual company level from the sales perspective.

3 RESEARCH DESIGN AND DATA COLLECTION

The main research question for the current research study, which will only serve as a preliminary, exploratory study, as well as for the planned Pan-European research project is the same: what is the role of digital transformation in digitalizing the sales processes in three different countries in Europe? It is also of interest, if there are any significant differences in the “Digital Transformation in Sales” across Europe’s business-to-business companies. If so, which internal and external factors of the companies’ ecosystem is mainly responsible for these (considerable) differences? The aim of the research project is therefore to identify internal as well as external success factors for the digital transformation in sales.

For the environmental factors the study will analyze to which extent the different digital transformation levels of the countries will influence the companies’ performance. The preliminary study therefore makes use of as well as tests the impact of DESI as a standardized index to compare the European countries regarding the external conditions supporting digital transformation. Based on the 30 indicators included in DESI (European Commission 2019c), data collection will be rather unproblematic as these data are already available in a standardized format by the European Commission.

The internal factors are mainly based on the newly developed market-oriented transformation model (Wengler et al. 2020). While the customers, competitors as well as partners are recognized as external factors, which are rather difficult to influence, the model relies primarily on the following three internal success factors (after the company has decided on its own business model): people (e.g. personal competencies, willingness to change, leadership competence), processes (e.g. process know-how, process analysis, process design capabilities) as well as data (e.g. data strategy, data availability, data quality).

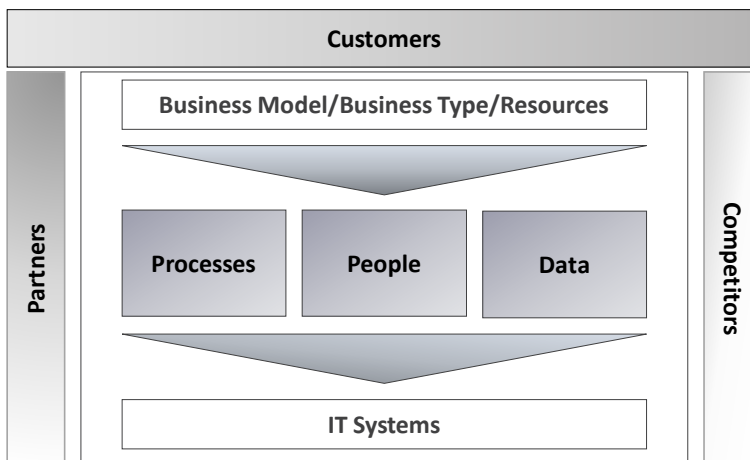


Figure 3. The market-oriented transformation model (Wengler et al. 2020)

Regarding the research study it is therefore of interest how well companies have already prepared these three key factors (people, processes, data) for digital transformation as well as how much these factors are already contributing to a digital transformation in sales.

The data collection for the preliminary study took place in Austria, Finland and Germany. The focus of the study is a pre-assessment regarding the “Digital Transformation in Sales” and exclusively members of the management board or sales directors of business-to-business companies were interviewed. As the research methodology for this exploratory study, expert interviews were chosen and in each country 15 companies were selected based on judgmental sampling following the criteria: The company has got 50 to 500 employees and operates in the field of manufacturing or ICT. The researchers aimed to get in-depth insights in a rather comprehensive research field. Each interview included the following questions:

- (1) What does “Digital Transformation in Sales” mean for you?
- (2) What does “Digital Transformation in Sales” mean for your company?
- (3) Which areas/activities do you think will be mostly affected by the digital transformation in marketing & sales?
- (4) Who do you think is driving the digital transformation primarily?
- (5) Which competencies will the salesperson require in future?

The preliminary study explicitly distinguished the personal and the company perspective in the “Digital Transformation of Sales” (question 1 & 2). This is necessary as previous studies show considerable discrepancies between the personal assessment and the overall company assessment (Wengler et al. 2019).

For getting more in-depth insights in the mindset and overall understanding of the interviewed persons, they are asked for their opinion on the mostly affected activities in marketing & sales. Question 3 therefore serves as a control questions to make sure that the researchers are really dealing with the most important areas affected by digital transformation in sales.

Of prime interest is also the identification of the main drivers of digital transformation in sales. Previous studies showed that the transformation process has so far been driven by the management directors, IT and marketing directors as well as customers and competitors, but hardly by the sales directors (Wengler et al. 2019). The last question regarding the competencies focuses on the relevant changes for the academic education of salespeople and the required changes in the academic curricula – and which role science could play in the digital transformation from the management board’s view.

Besides the responses of the main questions company data like industry, number of employees, year of foundation of company and position of the interviewed person were collected.

4 METHOD, SAMPLE AND ANALYSIS

This study was disseminated in three different countries by five researchers and focused on expert interviews. In every country the researcher chose companies based on judgmental sampling following the criteria: The company has 50 to 500 employees and operates in the field of manufacturing or ICT. The researchers aimed at getting in-depth insights in a rather comprehensive research field and the interviews lasted approximately 60-90 minutes each. The first interviews started in December 2019 and data collection continues.

5 PRELIMINARY RESULTS & FUTURE RESEARCH

In this study, we found so far that in these certain countries and in these special industries the digitalization process on B2B sales is still on its infancy. Moreover, the understanding of the possibilities to digitalize sales is also sparse. As the informants were the experts of these companies (working as sales directors, CEOs, technical experts etc.), it may be, that there will be more information about the opportunities after digitizing sales or of the digital transformation in other parts of the companies.

The current study can only be seen as a preliminary, exploratory study as it is covering a rather limited number of countries and only a limited number of companies. However, the results helped to lay the foundation for the Pan-European research project by identifying the most relevant external and internal success factors as well as the most relevant areas for change in sales and marketing.

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