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**Designing a successful Go-To-Market strategy in
B2B SaaS: Decision between SLG, PLG and Hybrid
options**

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ABSTRACT:

Valinta myyntijohtoisen (SLG) ja tuotejohtoisen (PLG) kasvu- tai liiketoimintamallin välillä on avainasemassa B2B SaaS -yritysten tavoitellessa menestystä kilpailluilla markkinoilla. Ilman sopivaa strategiaa yritys ei pysty hyödyntämään sen kyvykkyksiä (capabilities) optimaalisesti.

Tutkielman tavoitteena oli tutkia eri kasvumallien toimintaa tunnettuja strategisen liiketoiminnan kehittämisen viitekehyksiä hyödyntäen. Tutkielmassa tutkitaan, miten eri kasvumallit hankkivat asiakkaita, tuottavat arvoa, skaalautuvat, sekä luovat tuottoa yritykselle. Tutkielman tutkimusongelman voisi tiivistää seuraavasti: Miten myynti- ja tuotevetoiset kasvumallit eroavat toisistaan, ja miten kyvykkydet muokkaavat niiden tehokasta omaksumista?

Myyntijohtoisen kasvumallin (SLG) todetaan sopivan monimutkaisempiin, sekä myyntiarvoltaan arvokkaampiin kokonaisuuksiin, jotka usein vaativat asiakassuhteen hoivaamista, kun taas tuotejohtoinen malli (PLG) suosii matalan kynnyksen käyttöönottoa, laajempaa tavoitavuutta, sekä edullisempaa asiakashankintaa.

Lopputulemana voidaan todeta, että kummankaan kasvumallin ei nähdä olevan lähtökohtaisesti parempi, vaan tehokkuus riippuu yrityksen kyvykkyksien sopivuudesta (myynnin intensiteetti vs. tuotteen itsepalvelu), asiakashankintakulun (CAC) takaisinmaksuajasta, asiakkuuden elinkaarivastusta (CLTV), sekä organisaation kyvystä mukautua muuttuviin olosuhteisiin mm. ”kovien” ja ”pehmeiden” elementtien välillä. Oikean kasvumallin löytämiseksi yrityksen täytyy analysoida sille ominaisia tavoitteita, sekä ymmärtää, miten eri muuttujat tulisi huomioida strategiaa luodessa.

KEYWORDS: B2B SaaS, Go-to-market, Sales-Led Growth, Product-Led Growth, Product-Led Sales, RBV, Dynamic Capabilities, Business Model Canvas, McKinsey 7S

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1 Introduction

Over the past decade, the rapid transformation of Software-as-a-Service (SaaS) industry and business model has changed the way digital products are developed and consumed in Business to Business (B2B) world. Typically, SaaS B2B companies have relied their growth on more traditional sales channels, such as direct sales to sell their product offerings. (Tyrväinen & Selin, 2011). But, as the actual software users are being involved in B2B markets purchase processes has grown remarkably, the dynamics of decision making have changed widely. This has also surfaced a “product first” -way of thinking. (Raghavan & Nargundkar 2020).

Increasing competition, transforming product life cycles and higher customer expectations has evolved the strategies of how SaaS companies acquire and expand their customer base. For a successful start of a company lifecycle, an action plan, or a Go-To-Market (GTM) strategy is needed. A GTM strategy specifies the direction of how a company will reach its target audience and begin gaining sustainable growth. (Bush, 2019)

This thesis will explore two often debated go-to-market (GTM) growth models that have emerged in the SaaS-environment: Sales-led growth (SLG) and Product-led growth (PLG). For many years, the common consensus in the software industry was that the SLG and PLG target markets were clearly different. However, according to McKinsey 2023 article, for many years, numerous industry participants and observers believed that SLG was the only option to create a scalable company that served enterprise clients, whereas the pure PLG strategy was most effective with small and medium-sized businesses or only for especially tech-savvy purchasers. (Alaghband et al., 2023)

Especially the new and rising SaaS companies have recently been seen adopting new GTM models to benefit from the changing dynamics of the field. Rather than relying on sales teams handling lead generation, demos and negotiations, some companies use their product as the main drawcard for customer acquisition. These product-led strategies are utilized in various ways. For example, in the end, companies offering their

products partly for free (freemium) and collecting positive experiences from customers turn the users into paying customers. (Bush, 2019)

Despite the two different approaches, there is still a lack of clarity in how these strategic outcomes differ and if there is a superior go-to-strategy for growth. The choice between SLG and PLG is a crucial factor for SaaS companies. On the other hand, Gonzalez (2024) criticizes the one-way strategy. The author surfaces the question of why do companies need to choose between SLG or PLG, when they could utilize the best of both? (Gonzalez, 2024)

1.1 Background of the thesis

The evolution of the digital landscape, starting from early 2000s, created the foundation for the SaaS-business model. Instead of companies purchasing software in the physical form of a CD for example and installing it on local servers, businesses could now access applications over the internet on a subscription basis. This shift dramatically lowered upfront costs and maintenance burdens for customers. It also enabled software vendors to scale their business more efficiently through recurring revenue. Early B2B SaaS companies focusing on large enterprise customers primarily relied on traditional direct sales channels, which required human interaction to sell their products (Tyrväinen & Selin, 2011).

However, the dynamics of the B2B purchase process have significantly changed over the past decade. The role of the actual software users, often junior to mid-level employees, has grown remarkably in the purchasing decisions. These users are now frequently discovering and trying new tools within their organization, which has led to a “product first” way of thinking (Raghavan & Nardundkar, 2020). The new perspective has given boost for new go-to-market (GTM) models, especially Product-Led Growth (PLG), which emphasizes user experience and self-service software adoption.

The increasing competition, shorter product life cycles and evolving customer expectations have further accelerated the adoption of different GTM strategies. While Sales-Led Growth (SLG) continues to be crucial, particularly for high-value and complex solutions, the success of PLG in achieving rapid growth has changed how industries approach go-to-market strategies. This has moved the discussion beyond simply choosing one model over the other towards understanding their strategic tradeoffs and the potential for integrating them into new hybrid approaches (Gonzalez 2024; Alaghband et al., 2023; Narayan et al., 2023). The need for B2B SaaS companies to make informed strategic choices regarding their growth models highlights a significant shortage in structured frameworks to guide these decisions.

1.2 Objective of the thesis and research questions:

The primary objective of this thesis is to analyze and compare the strategic outcomes of Sales-led growth (SLG) and Product-led growth (PLG) models in B2B Software-as-a-Service (SaaS) companies. The research aims to increase the understanding of choosing and implementing a suitable growth model for sustainable business expansion in a competitive market. This requires examining the specific features of each model and their implications for long-term strategic success.

This thesis aims to answer the main question: "What are the strategic benefits of adopting a Sales-led vs. a Product-led growth model?"

This main question will be addressed with the help of well-known strategic lenses and the following sub-questions:

1. How do Sales-Led Growth (SLG) and Product-Led Growth (PLG) models differ in their approach to customer acquisition and value delivery?
2. How do internal capabilities shape the success of SLG and PLG models?
3. What strategic trade-offs exist between SLG and PLG?

1.3 Structure of the thesis

The research is structured into four separate main chapters. The chapters are designed to systematically contribute to answering the research questions and creating a comprehensive understanding of Sales-Led Growth (SLG) and Product-Led Growth (PLG) models in B2B SaaS environments.

Chapter 1: Introduction

The first chapter introduces the dynamic landscape of the B2B SaaS industry and its evolution. The introduction also validates the strategic importance of go-to-market models. It then introduces the background and context of the research. This chapter then clearly states the primary objective and presents additional research questions that the thesis aims to answer.

Chapter 2: Key concepts and theoretical lenses

Following the introduction, the second chapter aims to familiarize the reader with the theoretical lenses and key concepts introduced. It provides detailed definitions and discussion on Sales-Led Growth (SLG) and Product-Led Growth (PLG) models and their key characteristics, evolution and typical applications. Furthermore, this chapter introduces and explains the core theoretical lenses used in strategic business development, that will be utilized as analytical lenses in the thesis' comparison of GTM-models. The theoretical lenses help the reader to analyze internal capabilities of SaaS companies and understand how SaaS companies must evolve and align to constant changes. By reviewing relevant theories such as The Resource Based View (Barney, 1991), Dynamic capabilities (Teece et al., 1997), Business Model Canvas (Osterwalder & Pigneur, 2010) and McKinsey's 7S (Peters & Waterman, 1982) the thesis forms a theoretical base layer for the SLG vs. PLG analysis.

Chapter 3: Strategic Differences and Trade-Offs: SLG vs. PLG

The third chapter takes a deeper look into the differences and trade-offs companies are facing while comparing SLG and PLG approaches. By systematically exploring their

different approaches, the chapter examines the key elements of customer acquisition and value delivery: lead generation, sales processes, product design, and customer engagement. A key focus will be on identifying the strategic trade-offs built in adopting either an SLG or PLG approach, while considering important aspects like Customer Acquisition Cost (CAC), scalability and market reach. The findings focus on identifying strategic trade-offs between SLG and PLG strategies and marking internal capabilities influencing both go-to-market models. Built on the theoretical lenses presented, the third chapter will also analyze how internal capabilities can contribute to the success of both SLG and PLG models.

Chapter 4: Conclusions and Future Research

In the final chapter, a summary of main findings and conclusions are presented. The research questions are answered by combining the strategic benefits, limits and considerations of each model. This chapter will also acknowledge the limitations of the current research and discuss the implications of the findings for B2B SaaS companies. Finally, the thesis proposes directions for future research in this field.

2 Key concepts and theoretical lenses

This chapter provides a comprehensive review of the existing academic literature and key concepts relevant to understanding Sales-Led Growth (SLG) and Product-Led Growth (PLG). It aims to establish a strong theoretical foundation for the analysis later. The chapter defines and elaborates on the characteristics of SLG and PLG models. Following this, strategic lenses are introduced, which will serve as analytical lenses to critically examine the models and their implications for organizational success.

2.1 Sales-Led Growth (SLG)

2.1.1 Definition and scope

SaaS-business growth strategies have evolved significantly over the past decades, giving rise to diverse approaches to customer acquisition and revenue generation. Sales-Led Growth (SLG) is a popular go-to-market model where human interaction and the direct efforts of a sales team drive customer acquisition and revenue generation. (Bush, 2025a)

In SLG, the salespeople, (often supported by marketing and customer success teams) are the primary engine for engaging potential clients, communicating value, and closing deals (Ingram et al., 2019; Kotler & Armstrong, 2021). SLG is particularly prevalent in Business-to-Business (B2B) markets, especially for complex products, high-value contracts, or solutions that require significant customization and ongoing consultation (Castleberry & Tanner, 2022).

2.1.2 Value proposition

In SLG, the value proposition of a product or service is predominantly communicated, demonstrated, and ultimately sold through direct human interaction. By prioritizing direct communication and relationship building over automated or self-service mechanisms, sales teams can acquire more high-value customers. This strategy is particularly relevant for companies offering complex and high-value solutions, mostly software, that

require consultative engagement. (Fracolli, 2025; Weitz & Bradford, 1999) This is reinforced by Bush (2019), especially in the SaaS-environment, as SLG allows salespeople to make deals with high value customers with a larger annually recurring revenue (ARR). Additionally, Bush states that SLG-driven companies are often dependent on the recurring revenue gained from high value customers. This might lead to issues in case of churn. (Bush, 2019)

2.1.3 Lead generation & sales activities

Operational aspects within the SLG framework are heavily adapted towards supporting the sales function. Lead generation in an SLG model is often a collaborative effort, with marketing teams generating initial interest and 'marketing qualified leads' (MQLs), which are then handed over to sales for accurate qualification into 'sales qualified leads' (SQLs). (Caballero, 2024) Unlike growth models that leverage the product itself as the main acquisition tool for customers (as in PLG), sales teams are responsible for prospecting, lead qualification, needs assessment, proposal presentation, negotiation, and deal closure (Manning & Reece, 2007).

Marketing efforts may also generate initial interest (inbound leads) from potential customers and the sales function is critical in evaluating these prospects. Sales teams evaluate their potential to fit with the offering and their readiness for a sales engagement. (Kotler & Keller, 2016). This often involves a strict qualification process to determine factors such as budget, authority, need, and timeline (BANT framework) to ensure that valuable sales resources are directed towards the most promising opportunities (Caballero, 2024).

2.1.4 Customer acquisition

Proactive outbound prospecting, where sales teams actively seek out and engage high-potential target accounts, acts as a significant component in SLG. This approach is particularly utilized in B2B contexts and allows for tailored and valuable solutions where

products or services can be adapted to meet the precise needs of individual customers. (Weitz & Bradford, 1999; Zoltners et al., 2017)

Active engagement with customers often translates to higher Customer Acquisition Costs (CAC) compared to other models, due to the investment in longer sales cycles, commissions and sales salaries and support infrastructure (Bush, 2025a). However, this higher upfront investment is often justified through the potential of higher average contract value, higher customer lifetime value (CLTV) and stronger customer relationships (Gallo, 2015).

2.1.5 Sales management & compensation

Successfully executing a structured and well-managed sales process is foundational for SLG. Typically, there is a series of stages leading from initial prospecting to deal closure. Stages vary depending on projects but ultimately begin from initial prospecting from where the process is led through presentations and negotiations to finally closing the deal. Each stage requires specific activities, competencies, and tools to effectively guide the customer through their buying journey (Manning & Reece, 2007).

Customers are led through the sales funnel starting from cold outreach (calls, emails) and relationship building, to negotiation, contract finalization and loyalty programs. Effective sales management is also crucial, involving the design of sales territories, performance benchmarks or KPI's (Key Performance Indicators), and incentive structures that motivate the sales force to meet revenue targets. (Zoltners et al., 2017; Ingram et al., 2019)

Sales compensation plays a critical role in motivating sales teams and aligning their efforts with organizational goals. Sales compensation typically incorporates a mix of base salary and performance-based incentives, such as commissions, bonuses, and accelerators (Basu et al., 1985). The design of these incentives is crucial for rewarding individual and team sales achievements, encouraging specific behaviors (e.g., selling higher-value

products or expanding existing accounts), and fostering a results-driven culture (Anderson & Oliver, 1987).

Essentially, sales led companies, also outside of SaaS, emphasize a proactive and human centric approach to engage with markets. Its success depends on the capabilities of the sales organization to identify, engage and nurture customer relationships. SLG is often present in scenarios where the complexity or value of the offering demands expert guidance and personalized attention from the salespeople to the customer. (Webster & Wind, 1996)

2.1.6 Growth drivers

SLG companies' sales teams are the driving factor for growth. Sales teams are handed a wide budget to ensure potential customers are led through a sales funnel efficiently and successfully. The sales team is responsible for prospecting, negotiating, and closing deals with senior-level decision-makers. Simultaneously sales demos are utilized to ensure that potential customers don't miss any features or details of a product. (Fracolli, 2025; Alaghband et al., 2023)

According to Bush (2019), the success of SLG strategy is backed by all teams focusing on selling the product. SLG has the possibility to focus on tailored solutions to close larger deals. With the help of research and development (R&D) teams, sales teams can offer customized packages, features and integrations that lower churn rates and convert into long-lasting customer relationships. (Bush, 2019)

Fracolli (2025) also argues that the sales-led approach generally offers an edge over PLG especially when it comes to larger customers with personalized needs and guidance is needed (Fracolli, 2025). In a McKinsey article, Alaghband et al. (2023) also support the idea that it is extremely valuable, especially for SaaS companies, to be able to produce and deliver customized solutions. This is emphasized particularly in cases where

customers' procurement teams are seeking a return-on-investment (ROI) validation before committing to a purchase. (Alaghband et al., 2023)

2.2 Product-led growth (PLG)

2.2.1 Definition and scope

Product-Led Growth (PLG) is a widely glorified SaaS growth strategy that uses the product itself to drive customer acquisition, retention, and expansion (Alaghband et al., 2023). The key elements of PLG include user-first experience, company-wide focus on product and development, scalability and efficiency, and customer empowerment. More importantly, PLG is not only seen as a growth tactic, but as a cross-functional factor that connects all functions together from a product point of view. PLG product centrally connects marketing, sales, product development, and customer success operations together. (Bush, 2019; Chen, 2021)

Even though many view PLG as the superior growth strategy, only a small number of total B2B software companies can expand and grow aggressively using a pure PLG approach (Alaghband et al., 2023). Still, PLG is emphasized as transforming market entries by using the product as a main driver for business growth (Bush, 2019; Chen, 2021.)

2.2.2 Value proposition and lead generation

Unlike a traditional Sales-Led growth model, which prioritizes human interaction and sales team efforts, PLG focuses on a self-service model. Self-service model allows the users to find, adopt and gain value from the software with minimal or no direct sales involvement. PLG often offers a possibility to try the product before committing to a purchase through freemium models or free trials. This approach has rapidly gained popularity particularly in the B2B SaaS landscape due to its rapid scalability and efficiency. (Bush, 2019; Chen, 2021).

Karnani (2025) also emphasizes the self-service model as a driver for faster sales cycles which result in lower costs. With instant product delivery, users can feel value instantly. As users increasingly realize the value of the product, they are more directed to upgrading to paid tiers, expanding their usage and making overall faster purchasing decisions. (Karnani, 2025)

Usage expansion often includes in-app prompts and automated workflows, or community support. These often lead to a higher customer lifetime value (CLTV) without the need for significant traditional sales. The core principle is that a superior product experience would naturally attract and convert users into paying customers, which might exclude the need for outbound sales activities. (Blattberg et al., 2009; Bush, 2019)

2.2.3 Customer acquisition

Successful implementation of PLG typically aims at lower Customer Acquisition Costs (CAC) as they reduce their reliance on extensive sales teams and lead qualification efforts. Instead, marketing activities are focused on driving traffic directly to the product, leveraging digital content and inbound strategies. These importantly highlight features and user benefits. This user-centric approach has shown remarkable results in accelerating growth and gaining market share (Chen, 2021).

Bush (2025b) describes the key difference of customer acquisition between SLG and PLG with a simple difference. Usually, SLG model is described to focus on four steps in this order: Acquiring the customer, monetizing, engaging and expanding. Whereas in PLG, the customer engagement takes place before monetization. That said, PLG emphasizes customer acquirement and engages the customer before monetization, which offers instant value delivery. (Bush, 2025b). With early customer engagement companies can improve the overall experience new users are facing, also before converting to paid tiers, which leads to higher customer satisfaction and CLTV (Karnani, 2025).

2.2.4 Economics of PLG

According to the 2023 technology report by Bain and Company, SaaS companies implementing product-led growth strategy increased their 2022 revenue almost twice as much as those with less emphasis on product-led strategies. Narayen et al. emphasize the out-performance of product-led growth software companies on software markets. The report also states that PLG companies are almost three times as likely to have gained market share over SLG companies over recent years. (Narayen et al., 2023)

Both Bush (2019) and Chen (2021) emphasize case examples such as Slack, Dropbox and Zoom with high success growth stories utilizing PLG strategies. Most PLG companies use either a freemium or time-limited trial to allow users to explore the product independently. This shifts power to the buyer, aligning with modern B2B and B2C purchasing preferences (Bush, 2019; Chen 2021).

PLG steers customers in and allows users to try out and discover the product, and if needed, scale up their usage through self-service channels. This enables rapid growth for product-led companies. (Narayen et al., 2023). Alaghband et al. (2023) also emphasize that on average, PLG companies see greater revenue growth than their SLG counterparts due to rapid global growth possibilities. However, the authors note that this is mostly due to a select few top successful performers. Their research shows that PLG companies that perform mediocly spend a lot more on operating costs than their SLG rivals but only see very slight performance improvements. (Alaghband et al., 2023)

2.3 Theoretical lenses

This section of the thesis introduces the key strategic frameworks that will be used to analyze and compare SLG and PLG models. The chosen theoretical frameworks: Resource-Based View, Dynamic Capabilities, Business Model Canvas and McKinsey's 7S were picked because of their concrete nature and relevance to this comparison. They are widely accepted and used tools that provide a structured way of understanding and

comparing business strategies. These frameworks work as tools to understand the strategic decisions, organizational dynamics and internal capabilities of B2B SaaS companies and how they can systematically be examined. By applying these theoretical frameworks, the thesis aims to deepen the reader's understanding beyond the definitions of SLG and PLG into a deeper analysis. The lenses are then used to analyze the strategic trade-offs and success factors in each model.

2.3.1 Resource-Based view (RBV)

The Resource-Based View (RBV) is a strategic management theory introduced by Jay Barney in 1991. RBV emphasizes that a firm's competitive advantage is developed primarily from its unique internal resources and capabilities, rather than its external environment (Barney, 1991). This idea contrasts with earlier views that focused on a firm's position within its industry structure (Wernerfelt, 1984).

VRIO -framework was proposed by Barney (1991) as a part of the Resource-Based view. The theory suggests that for a resource to offer a competitive advantage it must contribute to efficiency (*Value*), it is not commonly possessed by competitors (*Rarity*) and is difficult to replicate (*Imitability*). Additionally, the firm must be organized (*Organization*) to be able to exploit the resources successfully. (Barney, 1991). The theory behind RBV emphasizes that firms are essentially collection of resources and capabilities that differ from another (Wernerfelt, 1984). RBV proposes that firms are heterogeneous, meaning they carry different types of resources, which allows some firms to outperform others (Lavie, 2008). RBV is particularly valid for this comparison because it helps to identify a company's unique source of competitive advantage.

In the context of SLG and PLG, the Resource-Based View -framework is crucial for understanding how different internal assets can lead to competitive success. For example, the highly skilled sales team of an SLG model-based company or the superior product-led research and development (R&D) team of a PLG company could be considered as a core inimitable resource. The RBV can be used to compare which of these different internal

capabilities are leveraged in each growth model to create a distinct competitive advantage and to explain why a company might be more successful with one model over the other.

2.3.2 Dynamic capabilities

Building on the Resource-Based View, the theory of Dynamic Capabilities was developed to explain how firms can maintain a competitive advantage in a rapidly changing environment (Teece et al, 1997). The theory assumes that a firm's ability to sense, seize and reconfigure its resources is what allows it to adapt and respond to market shifts. This is particularly relevant in fast-paced markets where technologies and customer demands evolve over time. Sensing means looking for and understanding new opportunities or threats, such as checking new technology or customer needs. Seizing means taking action to use these opportunities, for example by making new products or services. Transforming (also reconfiguring) means changing the company's structure, resources, or processes so it can keep up with the market. (Teece, 2007)

Dynamic capabilities are not the resources themselves but rather seen as the processes and routines that enable a firm to build, integrate and reconfigure its competencies (Eisenhardt & Martin, 2000). For example, a firm's ability to quickly transition its go-to-market strategy from SLG to PLG is a demonstration of its dynamic capabilities. This theory helps explain why some firms are more successful at adapting their strategies than others in the market. Dynamic Capabilities is chosen as a lens to explain the processes and routines that allow companies to make successful changes in a rapidly changing market.

On the other hand, Eisenhardt and Martin (2000), also argue that in markets that do not change much, dynamic capabilities may look like common best practices that other companies can copy. It is also difficult to measure dynamic capabilities and prove exactly how they link to company performance. (Eisenhardt & Martin, 2000)

2.3.3 Business Model Canvas

Business Model Canvas is a visual strategic management tool that offers a visual nine-block tool for mapping a company's business model introduced by Osterwalder & Pigneur in 2010. The fundamental theory is that a business model is not a single concept, but a set of interconnected building blocks that work together to create and deliver value. (Osterwalder & Pigneur, 2010).

The nine building blocks tool consists of: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Activities, Key Resources, Key Partnerships, and Cost Structure. The theory suggests that a firm's success depends on the consistency and alignment of these blocks. (Osterwalder & Pigneur, 2010).

1. The customer Segments block shows the different groups of people or organizations a company serves. These are the target audiences for the company's products or services. A business can have one segment or many, and each segment can have different needs.
2. The Value Propositions block explains what makes the company's product or service special and why customers would choose it instead of others. It can include solving a problem, meeting a need, or offering something new and attractive.
3. The Channels block shows how a company communicates with and reaches its customers. This can include physical stores, websites, apps, phone sales, or partner distributors. Channels are used for promoting, selling, and delivering the product or service.
4. The Customer Relationships block describes the type of relationship a company has with its customers. It can be personal, automated, self-service, or community based. It also covers how relationships are created, nurtured, created, kept, and grown.

5. The Revenue Streams block shows how the company makes money from each segment. This can be through product sales, service fees, subscriptions, advertising, or other income sources.
6. The Key Resources block lists the most important assets the company needs to work properly. These can be physical (machines, buildings), intellectual (patents, brands), human (skilled employees), or financial (capital, credit) resources.
7. The Key Activities block describes the most important things the company must do to make the business model work. For example, a manufacturer needs to produce goods, while a software company needs to develop and update software.
8. The Key Partnerships block shows the network of suppliers, partners, and other organizations that help the company work. Partnerships can help reduce risk, get resources, or carry out certain activities more efficiently.
9. The Cost Structure block shows all the costs needed to operate the business model. These can be fixed costs (rent, salaries) or variable costs (materials, commissions). (Osterwalder & Pigneur, 2010)

The validity of Business Model Canvas -tool lies in its ability to provide a clear visual map of a company's operational model and answer the question of "How" X, Y, Z is done in each model. By mapping out how SLG and PLG affect each block, we can approach the fundamental differences in their business models and the implications of each approach. This allows a comparison between channels, revenue streams and cost structures, for example, which can be used to address the differences of SLG and PLG in their approach to customer acquisition and value delivery.

2.3.4 McKinsey's 7S framework

McKinsey's 7S framework, developed by McKinsey & Company's Peters & Waterman in late 1970s and early 1980s, is a strategic management model that analyzes the seven key elements that must be aligned for an organization to be effective. The model helps companies see how well their organization is working and how to improve it. The theory behind the framework is that organizational effectiveness comes not from any single element, but from the structure and cooperation between all seven. If one element changes, the others need to change as well for the organization to keep working well. (Peters & Waterman, 1982)

The seven elements are divided into two groups: hard elements and soft elements. The first group, hard elements, are easier to identify and change. These include *Strategy*, *Structure* and *Systems*. Strategy means the plan a company follows to reach and compete in the market. Structure means how the company is organized. Systems are the daily processes, routines and activities that help the company run. (Peters & Waterman, 1982)

The second group, soft elements, are harder to identify and measure. Soft elements include *Shared values*, *Skills*, *Style* and *Staff*. Shared values are the main beliefs and principles guiding the company. Skills are the abilities and strengths of the employees and the company. Staff consider the people and how they are managed, trained and motivated throughout. Style refers to the patterns of key personnel, leadership and management inside the company. (Peters & Waterman, 1982)

The framework functions as a diagnostic tool and is crucial for analyzing the structure of the whole company. When an organization plans a major change, like a new strategy or a merger, the 7S framework can be used to analyze how the change will impact each element and what adjustments need to be made to maintain alignment (Peters & Waterman, 1982). For example, if a B2B SaaS company wants to shift from a sales-led to a product-led growth model (a change in Strategy), it must also consider how other elements should be adjusted. The framework can also be used to explain failures, for

example implementing SLG or PLG unsuccessfully after another, by highlighting the misalignment between its new strategy and its old systems or culture.

3 Strategic Differences and Trade-Offs: SLG vs. PLG

The choice between SLG and PLG model presents several key strategic trade-offs which directly impact a company's operational efficiency and long-term growth. With an approach to customer acquisition and value delivery, this discussion highlights the trade-offs that B2B SaaS companies must consider when choosing between or combining these models. The core differences between SLG and PLG lie in their primary mechanism for acquiring customers, delivering value and reaching target markets. The Resource Based View (Barney, 1991), Dynamic capabilities (Teece et al., 1997), Business Model Canvas (Osterwalder & Pigneur, 2010) and McKinsey's 7S (Peters & Waterman 1982) are used as lenses for this comparison.

3.1 Customer acquisition and value delivery

The most fundamental difference between SLG and PLG lies in how customers are acquired and how value is delivered. In a SLG model, customer acquisition is operative and human centric and mostly driven by sales teams. When comparing SLG and PLG, the customer relationship and channels can be analyzed using Business Model Canvas' blocks 3 & 4, which explain how the company actively communicates and reaches its customers. Channels (BMC block 3) are often used for promoting, selling, and delivering the product or service.

In SLG, first communication outreaches happen proactively by sales teams. The sales team actively seeks out and engages potential clients through different ways of outbound prospecting and direct communication. Meanwhile building Customer Relationships (block 4) that influences the Value Proposition (block 2), requires interaction. That is why SLG-model tends to have more personal and nurtured relationships, than PLG. With SLG, value is delivered through personalized and more tailored solutions, that attract often more complex and high-value customers.

In PLG, where customer acquisition is based around a working and attractive product, the Channels (BMC block 3) are digital, and Customer Relationships (block 4) are often automated. The product itself serves as the main tool for acquiring interest by leveraging, for example, free trials or freemium platforms to get potential paying customers hooked. Digital channels are a direct consequence of the Value Proposition, which defines the automated Customer Relationships. The value is delivered instantly, and users can experience the products' benefits firsthand easily without any sales intervention. While the value delivery is instant in PLG, the customer relationship nurturing and personal touch are missing due to automated processes.

With the need for more personalized solutions and interactions with the customers, SLG also requires investments in McKinsey's Framework soft elements such as skilled and motivated salespeople (Skill), who negotiate and communicate with the customer and hard elements like CRM (Systems) which are built to manage the sales funnel and track deals. On the other way around, in PLG, Systems are built on product analytics and user data to optimize the customers' buying journey and conversions. Skills of the staff in PLG must be focused on analyzing customer experience through data and developing the product to meet customer expectations. And if one element changes, the others need to adapt as well for the organization to keep working (Peters & Waterman, 1982).

3.2 Economic trade-offs

The economic trade-offs between the two models are significant and primarily focus on the Customer Acquisition Cost (CAC) and Customer Lifetime Value (CLTV). These trade-offs can be analyzed through Business Model Canvas's Cost Structure (block 9) and Revenue Streams (block 5). SLG models typically have a higher CAC, due to the investments made in sales salaries, commissions and support infrastructure. The sales cycles are usually longer in SLG, which affects the total CAC even more. However, the larger investment in customer acquisition is often justified by the potential for closing larger deals and achieving a higher CLTV Revenue Streams. If the value of the product is not immediately obvious, it must be demonstrated and co-created with the customer. Resource-Based

View (Barney, 1991) supports the idea that a high-performing sales team is a rare and valuable resource that enables high-value models. It justifies a larger CAC and allows some firms to outperform others.

PLG model aims for a much lower CAC by reducing the need for extensive sales teams. In Business Model Canvas, the lower Cost Structure (block 9) from reduced sales staff is tied to smaller, but more scalable Revenue Streams (block 5). While PLG allows more rapid and efficient scaling, it often results in smaller deal sizes and proposes the challenge of how to convert masses of free users into paying ones. PLG also limits larger deals with more specific needs, as human interaction is often lacking. The Resource-Based View explains that the firm's product and superior R&D team are the resources that drive growth with relatively low cost and can be considered as a core inimitable resource. The CLTV in PLG is often lucrative, because the product is designed to be self-service and the value is easy to understand.

3.3 Scalability and Market Reach

SLG and PLG differ in their scalability and ideal market reach, which can be discussed using the Dynamic Capabilities theory by Teece et al. (1997). SLG is often more effective at gaining market share in enterprise markets, where relationships and customization are a key role for closing the deals. However, SLG model is slower to scale and has a limited reach tied to the size and capabilities of the sales team. SLG model's slower transition is also a dynamic capability, as it allows for a more focused and deep analysis and entry into a more specific and lucrative high-value enterprise market. This can be explained with the firm's ability to sense and seize new opportunities.

In contrast, PLG offers faster scalability by having the opportunity to reach a global audience without the need for an organized sales force. This makes it highly effective especially for small-to-medium business (SMB) segments. The scalability of PLG model maintains a competitive advantage in the changing SaaS-business environment compared to SLG. (Alaghband et al., 2023)

3.4 Combining SLG & PLG into PLS

Many companies have been seen embracing PLG strategies from the beginning and gradually adding sales-led elements overtime. The ability of a company to transition its go-to-market model or combine the elements of both SLG and PLG can be seen as a key dynamic capability and differentiator for success. The need for strategic flexibility has led to the development of Product-Led Sales (PLS) approach (Alaghband et al., 2023).

Product-led sales or PLS refers to a company adding elements from Sales-led growth strategy to a traditional PLG strategy or vice versa (Narayan, et al., 2023). SLG companies can turn a part of their focus from sales to product-led approach to selected parts of their product or service. SLG companies can, for example, utilize elements of PLG to meet the needs of enterprise customers who want to try the product before committing to a deal. Companies can rely on SLG approach to close initial deals and by utilizing PLG, add customer value with self-service options. This could be used for example for expansions and more broad product offerings. The other way around, with the help of sales teams, PLG companies can sustain growth by converting their smaller subscriptions into more valuable contracts, by contacting current customers. (Alaghband et al., 2023; Narayan et al., 2023).

Companies wanting to successfully adapt to a hybrid PLS model must consider having all functions working seamlessly. PLS approach, from PLG to SLG or vice versa, requires a change in the way of working and broad collaboration with different functions, such as marketing, R&D and sales. It is important for companies to be able to track which function is working on different phases of the customer journey and how different functions can support each other (Alaghband et al., 2023). Compared to the traditional SLG or PLG model, shifting to a hybrid model requires the “hard” and “soft” elements of the McKinsey 7S framework to align. The *Strategy* is the shift to a hybrid model, and the *Structure* must be redesigned to be more cross-functional where customer data is found with ease.

Additionally, *Systems* must be updated to meet the needs of different functions collaboration.

The Shared values of the company need to shift from either sales-centric culture to one that values the product, or from product-centric to collaborative sales-mindset. Also, the *Staff, Skills* and *Style* must realign with the new roles introduced. Existing teams need to be trained and adapt to changes of how the organization operates.

4 Conclusions and Future Research

The goal of this thesis was to analyze and compare the strategic outcomes of Sales-Led Growth (SLG) and Product-Led Growth (PLG) models in the B2B SaaS environment. To spread understanding to companies deciding between a suitable growth model for entering or expanding in competitive markets, the thesis aimed to answer one main research question and three sub-questions.

The research questions were answered by analyzing SLG and PLG models. For a structured way to compare the core differences and strategic trade-offs between the two models, the thesis introduced well-known strategic lenses such as the Resource Based View, Dynamic Capabilities, Business Model Canvas and McKinsey's 7S framework. The analysis of the differences and strategic benefits of both SLG and PLG revealed that the choice between models is not a "one-size-fits-all" decision. Instead, their effectiveness depends on a company's product, target market and internal capabilities.

4.1 Summary of findings

Sub-Question 1: How do SLG and PLG differ in customer acquisition on value delivery?

SLG acquires customers through proactive and direct communication and selling and delivering value through tailored solutions. SLG is a human-centric model driven by direct sales teams who build personal relationships while delivering tailored solutions. SLG is often used as an approach especially for more complex and high value products. Investments in performance-based sales teams often result in higher Customer Acquisition Costs (CAC) but can be justified with a higher Customer Lifetime Value (CLTV).

In contrast, PLG offers a product-first, self-service model that leverages free trials and freemium models through digital channels to attract wider userbase. This leads to lower CAC and enables faster all-around scalability, but at the expense of often acquiring smaller deals on average.

Sub-Question 2: How do internal capabilities shape the success of SLG and PLG models?

Success of each model depends on the following capabilities: SLG rewards companies with rare, high-performing sales resources and systems supporting the sales function, while PLG rewards companies with superior products and R&D. Both models require 7S alignment.

The analysis found that the success of each model is strongly tied to an organization's internal capabilities and overall strategy. Based on the Resource based view, a high-performing sales team is a rare, inimitable and valuable resource for SLG-model, while superior product and R&D team are in a key role for PLG model. The McKinsey 7S framework highlights that a successful strategy requires an alignment between the company's "hard elements" such as Strategy, Structure and Systems, and "soft elements" such as Shared values, Skills, Staff and Style.

Sub-Question 3: What strategic trade-offs exist between SLG and PLG?

The main trade-offs between the two models are CAC vs. CLTV, scaling opportunities vs. customization and the desired target market. The analysis showed that PLG often offers faster scalability and broader market reach, which makes it well suited for small-to-medium business (SMB) segments. While SLG shows to be slower to scale, it is more effective for the high-value enterprise markets where personalized approach is rather crucial.

Main research question: "What are the strategic benefits of adopting a Sales-led vs. a Product-led growth model?"

To conclude everything around the main research question, the findings show that Sales-led growth benefits companies that are competing for complex, high-value enterprise

deals. By enabling tailored solutions, strong nurtured relationships and ROI-validation, SLG also justifies slower scalability and higher CAC through higher CLTV on larger deals.

In contrast, Product-led growth benefits companies that are pursuing a speedy large scale market entry and broad reach. With self-service, deals are smaller, CAC is reduced, and value delivery is instant. This allows global scaling but challenges the entry to more complex enterprise markets. The strategic payoffs of adopting either of the models depends on internal capabilities fit (elite sales and superior R&D) and organisational alignment.

Finally, because there is no “one-size-fits-all” strategy, the capability of blending these two approaches together could be crucial to adapt in the changing market demands. The thesis superficially introduced a hybrid GTM approach, Product-led Sales (PLS), showing how companies could utilize the best of both. The ability to blend these two approaches into a hybrid solution can be identified as a key dynamic capability. By blending the strengths like the scalability of PLG with the high-value customization for SLG, companies can find new ways of gaining competitive advantage and reach new markets.

For company executives deciding on what strategy to pick, start with mapping target markets, internal capabilities and product fit. Consider the costs and own resources and trade-offs mentioned. Choose SLG to capture complex high-value deals. Choose PLG to optimize CAC and scaling possibilities. Consider the best of both: choose PLS when product-led conversion is benefitted from targeted sales.

Figure 1 visualizes SLG, PLG and PLS approaches and main findings of the thesis. It shows favorable (Pros) and unfavorable (Cons) elements of each model while also displaying common uses. SLG fits in complex, high-value situations through relationship selling and PLG utilizes lower CAC and reaches markets with self-service. PLS adds flexibility in strategy but increases operating costs.

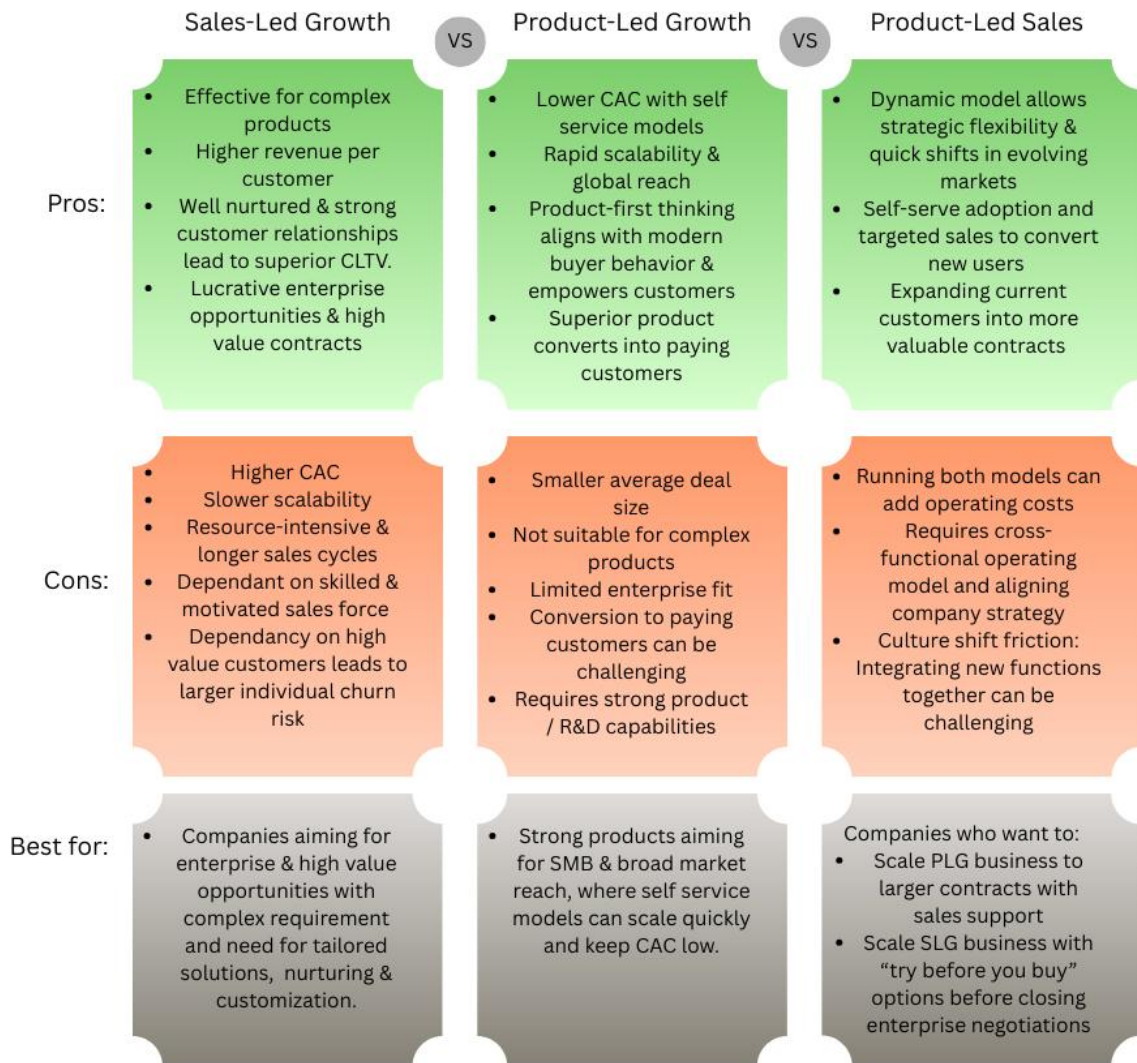


Figure 1. SLG, PLG and PLS approaches: Pros, Cons and best practices fit

4.2 Limitations and suggestions for future research

This thesis, as a literature review, has several limitations and lacks deeper context-specific insights. The thesis is based on existing academic and industry literature and does not include any empirical data or case studies from specific markets or companies. Also, there is a limited amount of research on the topic available. As a result, the findings are quite general and do not consider unique factors that influence the outcomes in real world situations. Future research could explore several areas, for example address these limitations.

There is food for thought in conducting a qualitative study using real world case studies of B2B SaaS companies that successfully utilize either pure SLG or PLG model or have transitioned to a hybrid PLS approach. By understanding the economics, limitations and risks, this could provide a more in-depth understanding of the challenges and success factors involved in this type of strategic shift. Finally, a comparative quantitative study could be conducted to test how internal capabilities and financial performance of SLG, PLG and PLS companies differentiate from each other.

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