

# BEHIND THE CLOUD

## The Untold Story of How Salesforce.com Went From Idea to Billion-Dollar Company – and Revolutionized an Industry

**MARC BENIOFF**

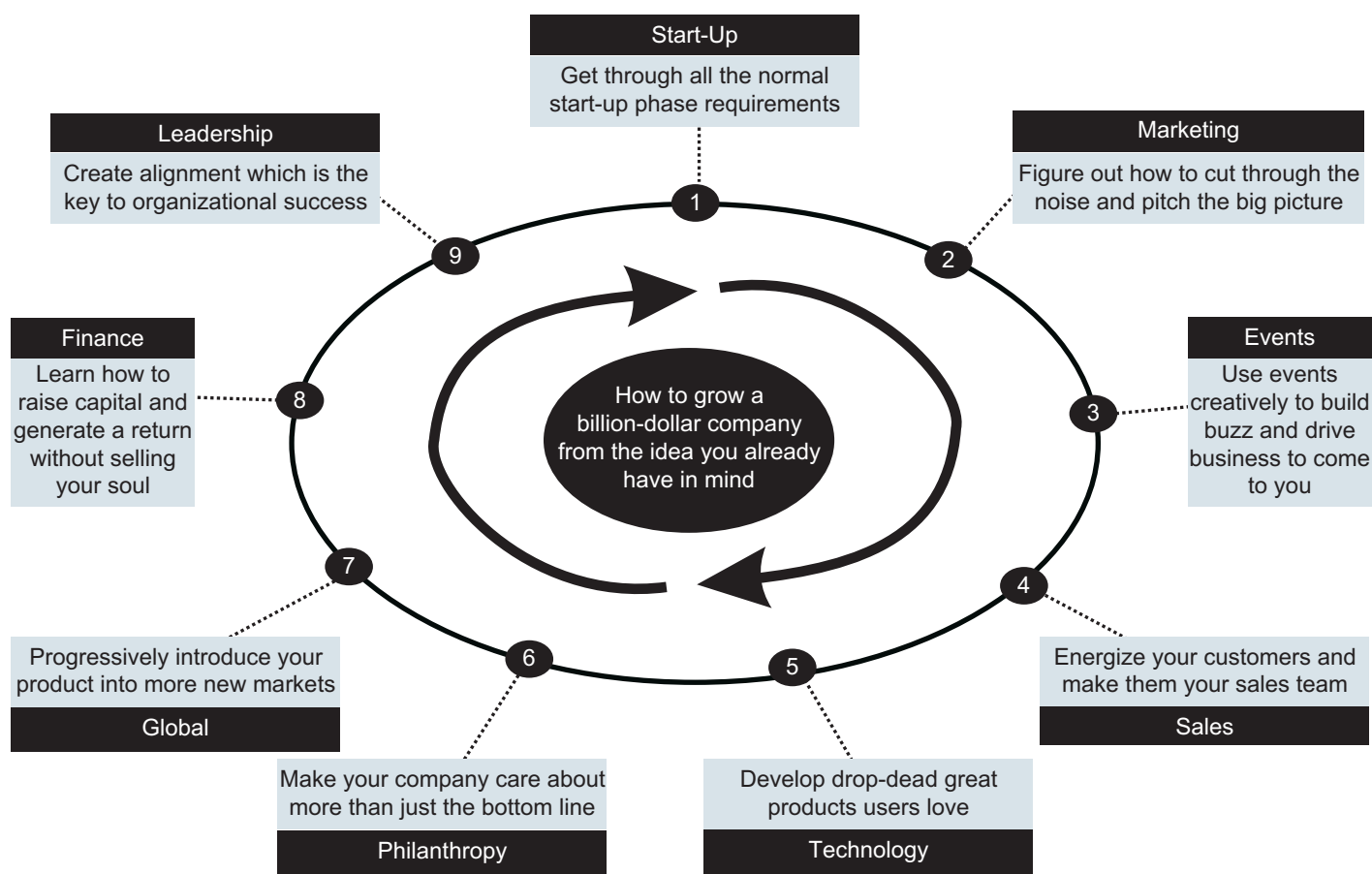
**MARC BENIOFF** founded Salesforce.com in 1999 and currently serves as chairman and CEO of that company. Salesforce.com is a leader in enterprise cloud computing and has received a *Wall Street Journal* Technology Innovation Award. Mr. Benioff worked for Oracle Corporation before starting Salesforce.com. He is the author of *Changing the World* and *Compassionate Capitalism*. Mr. Benioff also launched the Salesforce.com foundation in 2000 which contributes one percent of the company's profits, one percent of equity and one percent of employee hours back to the communities it serves. Salesforce.com was the first dot-com to be listed on the New York Stock Exchange and today generates more than \$1 billion in annual revenues. The company is a leader in the Software-as-a-Service (SaaS) industry it pioneered.

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**MAIN IDEA**

“A little over a decade ago, Clayton Christensen wrote a book called *The Innovator’s Dilemma*. It illustrated how a start-up company – by employing innovation that disrupts existing business models – will always beat established big companies. It validated us for what we knew was right: the future wasn’t about simply improving on what was already done; it was about being bold enough to make big, sweeping, dramatic changes. With those ideas in mind, I started Salesforce.com with a mission to do enterprise software differently. At the time, companies were paying hundreds of thousands to buy and millions to install applications that were costly and frustrating to maintain. We wanted to take advantage of a new platform – the Internet – to deliver business applications cheaply through a Web site that was as easy to use as Amazon.com. We had to think out of the box. Literally, no more packaged software. And figuratively, as no one then was selling subscriptions for business applications and delivering them over the Web. In 1999, I recruited three developers, rented an empty apartment, brought in a few computers, and turned the bedroom closet into a data center. We soon had a prototype of the service running, and over the next few months a steady stream of new employees, potential users, investors, and reporters coming by to see what was happening and share their insights to help us build something better. Now, ten years later, our small company is a big one. The few initial employees who gave Salesforce.com everything have grown into a few thousand employees. Revenue has escalated to more than \$1 billion a year. Now we are excited by how the industry’s growth will unleash further innovation. This only makes the future more exciting for everyone.”

– Marc Benioff



**1. The Start-Up Playbook** – *Get through all the normal start-up phase requirements* . . . . . Page 2

**2. The Marketing Playbook** – *Figure out how to cut through the noise and pitch the big picture* . . . . . Page 3

**3. The Events Playbook** – *Use events creatively to build buzz and drive business to come to you* . . . . . Page 4

**4. The Sales Playbook** – *Energize your customers and make them your sales team* . . . . . Page 4

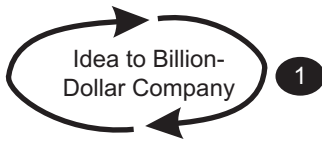
**5. The Technology Playbook** – *Develop drop-dead great products users love* . . . . . Page 5

**6. The Philanthropy Playbook** – *Make your company care about more than just the bottom line.* . . . . . Page 6

**7. The Global Playbook** – *Progressively introduce your product into more new markets* . . . . . Page 7

**8. The Finance Playbook** – *Learn how to raise capital and generate a return without selling your soul.* . . . . . Page 7

**9. The Leadership Playbook** – *Create alignment which is the key to organizational success.* . . . . . Page 8



**Start-Up**  
 Get through all the normal start-up phase requirements

Marc Benioff started working at Oracle in 1986 and by 1996 had worked his way into being senior vice president. He didn't want to become a corporate lifer so he decided to take a sabbatical from work to think about what he wanted to do. He rented a hut on the Big Island of Hawaii and started thinking about the future. Marc kept on thinking about how the Internet was changing everything for consumers. Benioff decided the Internet would change the landscape for businesses as well and would provide a whole new way to deliver business software applications. Even though he couldn't yet clearly articulate what he wanted to do, Marc decided to take the plunge and start a new company.

His vision was to do something to make software easier to buy and to use. Instead of companies buying software and then maintaining it on their own machines, he came up the idea of what is now termed "cloud computing" – companies pay a per-user per-month fee for the services they wanted to use which would be delivered to them via the Internet. This is also called "Software-as-a-Service" or SaaS. Benioff decided this model would work exceptionally well for sales force automation or customer relationship management (CRM). Siebel Systems had just at that time gone public which Marc knew all about because he had been an early-stage investor. Benioff decided CRM was the perfect product to be delivered on-demand as a service.

Marc Benioff pitched the idea of selling a SaaS style subscription service to Tom Siebel, the founder of Siebel Systems. He liked the concept and invited Marc to join Siebel but Benioff decided he would be better off going after it on his own. So he hired three programmers with sales force automation and Internet experience and got them working in a one-bedroom apartment he rented next door to his own house in San Francisco. In true start-up fashion, they didn't have any office furniture so they used card tables and folding chairs. Despite the rather austere setting, within a month they had their first prototype Web site set up and running.

*"Our focus was directed at developing the best possible and easiest to use product, and this is where we invested our time. Realize you won't be able to bring the same focus to everything in the beginning. There won't be enough people or enough hours in the day. So focus on the 20 percent that makes 80 percent of the difference."*

– Marc Benioff

Benioff wasted no time in getting his friends and colleagues to visit the apartment and try the prototype Web site out. Their

feedback was invaluable in coming up with something good. This is the opposite of the usual business model where software is developed in secret. By asking early users for feedback and then taking their ideas to build a more attractive product, the end result was a software product which was robust yet simple – kind of like Amazon.com's Web site.

In the early days of Salesforce.com, Marc Benioff was still working half-days at Oracle. Eventually, he realized he would have to take the plunge and commit to his new enterprise. He was good friends with Oracle CEO Larry Ellison who acted as a mentor and Ellison ended up investing \$2 million in seed money for Salesforce.com and joined the board of directors of the new company. In exchange for that help, Ellison asked Benioff not to recruit for the talent he would need to grow the company from Oracle. Ellison made Benioff promise he would take no more than three people from Oracle and he honored that commitment.

By the summer of 1999, Salesforce.com had ten employees and a two-page Web site – a home page and a recruiting page. This was in the middle of the dot-com boom and Internet companies were growing like wildflowers everywhere imaginable so nobody paid much attention to Salesforce.com. The company quickly outgrew the one bedroom apartment and soon took over Marc Benioff's house as well. He decided more space was needed and hired an eight thousand square feet office in the Rincon Center located in downtown San Francisco. The engineers loved the new office because it was long and narrow. They took to driving golf balls down the length of the office and flying remote-controlled helium blimps in their spare time.

*"We had no office furniture, so we put tables by the outlets that were already there. Everyone had to set up his or her own desk (we bought sawhorses and doors at Home Depot), and employees received their computers in boxes and put them together themselves. It was an archetypical California start-up scene with a dog in the office and a mass of young and energetic people wearing Hawaiian shirts, working hard, and subsisting on pretzels, Red Vines licorice, and beef jerky. In typical dot-com style, we exploded. By the time cofounder Dave Moellenhoff returned from his three-week honeymoon in November 1999, the staff had doubled. One year after we moved into the Rincon Center, we were bursting out of the space. Three salespeople had desks in a hallway, and five IT specialists had taken over the conference room. Our next move, in November 2000, was to shiny new offices at One Market Street. It was only a block away, so we put our servers on office chairs and rolled them across the street. Although we were not going any great distance geographically, the leap ushered in an entirely new era for our company."*

– Marc Benioff

- ✓ Always give yourself time to recharge when you leave your job and look to start a business of your own.
- ✓ Have a really big dream and believe you can pull it off.
- ✓ Tell a select few what you're planning on doing and then listen carefully to the advice they give you.
- ✓ Hire the absolute top talent in your field.
- ✓ Be fully equipped and willing to sell your idea to skeptics anywhere anytime and respond calmly to your critics.
- ✓ Work on what is most important only.

- ✓ Define the values and the culture you want to establish in clear cut terms right up front.
- ✓ Listen intensively to prospective customers.
- ✓ Make sure what you do defies convention.
- ✓ Have one trusted mentor and listen to what he or she says.
- ✓ Keep adding new talent as fast as you can afford to.
- ✓ Be willing to take risks – don't hedge your bets but back your judgment.



Marketing

Figure out how to cut through the noise and pitch the big picture

On July 21 1999, the *Wall Street Journal* ran a front-page story called: "Canceled Programs: Software Is Becoming an Online Service, Shaking Up an Entire Industry". The article spoke about the software-as-a-service concept and generated more than five hundred leads for Salesforce.com even though the launch was still six months away. Other publications also picked up on the end of software as we know it theme and ran follow-up articles.

*"Whether or not you engage a PR firm, always ask yourself: 'What's my message?' Position yourself either as the leader or against the leader of your industry. Every experience you give a journalist or potential customer must explain why you are different and incorporate a clear call to action. This does not require a large team or a big budget; it just requires your time and focus."*

– Marc Benioff

Salesforce.com's mission was to offer a new and better way to serve customers by declaring war against the traditional and ineffective way software was being delivered. To launch the offensive, the company spent \$600,000 holding a lavish launch party for 1,500 people at San Francisco's Regency Theater. Marc Benioff (dressed in army fatigues) stood up at that party and told everyone: "We are going to be a \$100 million company three years from now. We're going to be the last dot-com."

To reinforce what Salesforce.com was all about, the company's advertising guru came up with the NO SOFTWARE logo – the word SOFTWARE in a red circle with a line through it similar to that famously used by Ghostbusters. Marc Benioff loved it since the idea was simple, sexy and fun. It also tied in perfectly with the phone number 1-800-NO-SOFTWARE. Interestingly, just about everyone else at Salesforce.com hated the logo concept. Some pointed out it wasn't strictly correct, since the company still made software but just delivered it differently. Others thought using a negative message was unwise. Benioff shrugged off these concerns and insisted the logo be used on all the company's communications materials.

To supplement the concept, Marc Benioff also developed an ad which showed a fighter jet (Salesforce.com) shooting down a biplane (the company's entrenched competitors using obsolete tools). This somewhat provocative graphic image was not only used as an ad but was also picked up by a number of editorials which were writing about the pending downfall of the software

industry as a whole. The audacity of this kind of ad appealed and the underlying message was interesting so it generated lots of free publicity for Salesforce.com.

The company routinely and consistently portrayed itself as an upstart going up against the market leader. This was a very deliberate approach since the media loves David-versus-Goliath style storylines. Salesforce.com constantly brain stormed how it could use whatever marketing the market leader (in this case Siebel Systems) was doing to its own benefit. One time, when Siebel held a conference in San Diego, Salesforce hired bicycle rickshaws to offer free rides from hotels to the conference center. While they were in the rickshaws, the conference attendees were given free Krispy Kreme doughnuts and coffee in mugs that cited a famous quote by US Bancorp analyst Piper Jaffray: "Wake up Siebel. Salesforce.com is a disruptive technology and is slowly moving in on the CRM prize." A similar strategy was also used at Siebel's European conference in Cannes, France where free airport taxis from Nice to Cannes were paid for by Salesforce.com.

Salesforce.com also came up with ads around themes like "Don't get bullied" and "I will not give my lunch money to Siebel." Eventually, Siebel started responding to the ads which had the unintended effect of legitimizing Salesforce.com as a viable competitor in its own right. Even though Salesforce.com was just a tiny start-up, the press loved the fact it was pledging to upend the industry leader. This was a great storyline which was further enhanced by the fact Marc Benioff worked hard to cultivate relationships with a few selected journalists. He paid extra attention to around two dozen journalists and made sure they had access to information which would be helpful in writing their articles.

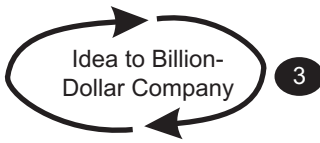
Another thing Salesforce.com did quite well was to develop some metaphors which explained what the company was all about. Some of the metaphors the company used include: "Salesforce.com is Amazon.com meets Siebel Systems", "Force.com is the Windows Internet operating system" and "AppExchange is the eBay of enterprise software". By creating these metaphors, Salesforce.com explains its services and communicates the message it wants to get out there. Metaphors are also useful for journalists because they are always on tight deadlines. Anything you supply them can be extremely helpful when they are developing the stories they want to write.

*"Relate your product to something that is current and relevant and that everyone understands."*

– Marc Benioff

- ✓ Position your company as either the leader in your industry or going up against the leader with something better.
- ✓ Have a big launch event that makes people sit up and take notice because of your brash predictions.
- ✓ Create a persona of someone who walks the talk.
- ✓ Do something bold which will definitively differentiate yourself.
- ✓ Make each and every employee a key player in your marketing team by ensuring everyone understands and uses the same message.
- ✓ Look for opportunities to leverage your competitor's activities to the benefit of your company.

- ✓ Always position yourself as David against some Goliath.
- ✓ Let your marketing tactics dictate your strategy, not the other way around.
- ✓ Engage the market leader and force them to acknowledge you.
- ✓ Never forget reporters are writers so give them a juicy story they will really get into. Cultivate strong relationships with select journalists who will be most influential.
- ✓ Develop your own metaphors to explain what you're doing.
- ✓ Have no sacred cows when it comes to marketing. Insist that every marketing idea stand on its own two feet.



**Events**  
 Use events creatively to build buzz and drive business to come to you

Running events in different cities is a great way to build buzz for what you have to offer. Salesforce.com found the best format for these events was to have a brief keynote and then a live demo of the product where existing customers are called on to answer the questions that come up. This is a great way to make customers an integral part of your marketing force since the answers they give will have tremendous credibility. Just make sure these events are held in a setting which reflects the fact you've got a world-class product so don't scrimp.

*"What we do is quite simple. We rely on the quality of the product and provide an opportunity for the product to be discussed. The most effective selling is done not by a sales team but by people you don't know who are talking about your products without you even being aware of it. In this era, those conversations are more frequent and more public than ever. They are not happening behind closed doors, but 24/7 in the blogosphere and on social networking sites. Instead of fearing those public conversations, companies must cater to them and leverage them. By providing a forum for customers to meet, you can be a participant in these exchanges and use the viral effect to your advantage."*

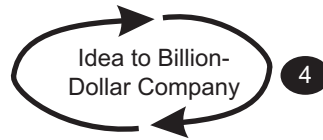
– Marc Benioff

The other great thing about events is running them positions your company as a thought leader in your market niche. By running killer events, you always stay in the forefront. Salesforce.com holds launch events every six to eight weeks so there is news and fresh ideas going to the press all the time. You then act like the market leader in-between times. When new competitors arise, welcome them with open arms and point out this validates your success. Seize events outside your industry and ride them for all they are worth as well. Use any outside events to stay relevant and interesting. If you act like your company is the instigator of everything newsworthy which happens and keep repeating that thought often enough, sometimes the press and the media will buy it and you'll be able to move from one level to the next.

*"There's a lot of prep work necessary to execute a flawless event. Develop your plan to acquire contacts. Define success metrics. Establish a follow up process before the event. Create an exciting give-away to draw traffic to your event. Have a compelling offer, such as an exclusive discount on your product or service. Provide content that validates your ideas."*

– Marc Benioff

- ✓ Events are great because they feed word-of-mouth.
- ✓ The best thing you can do at events is let your customers talk for you. Happy customers are your very best sales tool.
- ✓ Throw great events people will want to come to.
- ✓ Establish yourself as the thought leader in your industry by running events which highlight what's coming in the future.
- ✓ Welcome competition and leverage it. A viable market never exists until there are two or three genuine competitors.
- ✓ Always have back-up plans in place and be prepared for every scenario – so you can have fun as well.



**Sales**  
 Energize your customers and make them your sales team

*"The engine that really drives our company – the one effort our success wholly relies on – is producing a service that customers love. We believed that every customer could serve as a salesperson. Inside every customer there was unrealized potential. By offering training and support, we could build a sales army that was not limited to a finite number of Salesforce.com salespeople, but could scale to hundreds of thousands – and, one day, millions – of customer salespeople."*

– Marc Benioff

Making every customer a member of your sales team is the ultimate way to operate. It potentially gives you a sales force of thousands if not millions. When you have a subscription based product like that offered by Salesforce.com, working closely with customers to make them happy enough to refer others also boosts your customer retention rate. To support customers and keep them happy, Salesforce.com uses its Web site, regular customer events and webinars.

The company also harnesses telesales and free trials quite extensively. Telesales have been a real positive factor because they have won sales at one-third the cost and in one-third the time it took to use the traditional selling model. Salesforce.com is also careful to treat all customers equally and to track metrics carefully to watch how niche markets are performing. Every customer of Salesforce.com pays the same \$50 per month per user whether they have one user or thousands.

Over time, Salesforce.com started to learn how to sell its service to larger companies and then to still larger corporations and institutions. Salesforce.com also evolved pricing models where people could pay a year in advance and earn various discounts that way. The company also started building professional sales teams to approach the larger institutions and win their business. As a result, circa 2010 one-third of the company's revenues come from small businesses, one-third from medium sized enterprises and one-third from large companies like Dell, Cisco, E\*Trade Financial and Starbucks.

Since happy customers are considered to be the strongest troops in Salesforce.com's overall sales army, the company also works exceptionally hard to please. Salesforce.com has appointed customer success managers who work with existing customers to uncover problems and fix them for free. Retaining satisfied customers is job #1 and the growth in revenues has shown how important and effective a sales strategy this can be.

- ✓ Give away free trials to whatever you have to offer.
- ✓ Earn customer loyalty by treating them like partners. Work hard to get your customers from adoption to addiction.
- ✓ Invest in your Web site and make it your most effective sales rep. Then make every customer part of your sales team by leveraging customer testimonials effectively.
- ✓ Never discount your first product. Establish the value first.
- ✓ Don't try and sell a large company all at once. Get your foot in the door with one division and let them validate how good you are first. Then you can get everyone to commit.



**Technology**  
 Develop drop-dead great products users love

*“Salesforce.com creates a lot of noise with its guerilla marketing stunts, but the engine that really drives our company – the one effort that our success wholly relies on – is producing a service that customers love. The extravagant parties wouldn’t be enthusiastically attended, the gonzo tactics wouldn’t be consistently reported, and the salespeople wouldn’t be receiving their commissions if we were not offering a service that delivered everything we promised.”*

– Marc Benioff

The traditional view of technology development is you put together a “skunkworks team” who go off in isolation and develop a new product which is then launched to the world. The Internet has changed all that and the concept of cloud computing is at the forefront of those changes. Today, a much more viable approach is to collaborate with your customers to come up with products and services they want. You have to offer people a choice and the ability for them to customize plain vanilla offerings to their own specific needs to stay in the game nowadays.

Salesforce.com has always had a design philosophy its service should be simple and fast rather than complex and slow. Therefore, the company watches carefully how its applications are being used by real customers. The features which are popular are expanded and enhanced further while those which are rarely used are developed much less intensively. The end result of this learn-and-adapt approach to product development is you end up with a product which fits customers like a glove rather than requiring customers to change the way they like to operate.

The cloud computing concept championed by Salesforce.com has also led to some changes in direction the founders never anticipated. In late 2005, the Web site started to have a few service outages caused by growth issues. These problems started to attract a lot of negative press comment which in turn made new customers nervous. To respond, Salesforce.com took the counterintuitive step of setting up a new Web site which offered real-time information on the company’s servers. By increasing transparency rather than following the usual corporate practice of making no comment about potential problems, the company was able to regain the trust and respect of customers.

Salesforce.com also did a couple of other interesting things to enhance its technology. The company provides an application programming interface or API. In simple terms, this is a way for Salesforce.com to enjoy two-way communication with other programs. Using an API, for example, a user can interface information stored in Salesforce.com with Google Maps so users can map where clients are located. The company also made the underlying code available so other companies could build online services which build on what Salesforce.com does. The idea here is for Salesforce.com to become a platform rather than solely remaining as a standalone product. This platform approach has ended up being a great success.

*“Creating a platform offered a way to resolve our biggest problem: customers were clamoring for more applications, and we didn’t have the resources to build everything ourselves. The idea to become a platform, or an operating system for the Internet (similar to how Windows is an operating system for PCs), offered a way to allow everyone to create applications online and gave us an opportunity to attract and retain more customers. This was the way to grow our company. The ‘platform in the cloud’ effort became a pet project of mine.”*

– Marc Benioff

This platform project has ended up becoming a large part of Salesforce.com’s overall business model. Branded as Force.com, an entire marketplace of new business solutions has emerged. AppExchange has been set up as a site where developers can upload applications they have built for potential customers to try and hopefully buy. AppExchange has been described by *BusinessWeek* as the “eBay for business software” and by *Forbes* as the “iTunes of business software”. Even though Salesforce.com doesn’t collect any royalties on the applications sold there, customers are less likely to switch from Salesforce.com to any of its competitors because of the platform and ecosystem of partners who are developing applications based on that platform.

Salesforce.com also developed and introduced IdeaExchange, a Web site where customers could share their experiences. The company uses IdeaExchange to gauge interest in potential new ideas and to decide whether or not they are worth investing in. Developer partners also use IdeaExchange to test the viability of potential new product ideas before investing in development. This new ideas engine has been cloned by companies like Dell (IdeaStorm.com) and Starbucks (MyStarbucksIdea.com).

- ✓ Have the confidence and the courage to develop innovations before the need becomes obvious to your customers. Do things that are worthwhile before the demand eventuates.
- ✓ Always pursue innovations which will last for the long haul. Make it possible for everything to scale up in the future without causing problems.
- ✓ Follow the lead of successful companies and involve customers in your development processes. Don’t develop things in isolation from their preferences and concerns.
- ✓ Find ways to reuse existing building blocks rather than doing everything from scratch.
- ✓ Embrace transparency and make it work to your advantage – or else it will automatically work against you.

- ✓ Make it possible for customers to customize features to suit their needs. Do this and you will move users from adoption to addiction.
- ✓ Try and turn your product or service into a platform for custom developments. Let people create their own applications using your underlying infrastructure and everybody wins.
- ✓ Provide a marketplace where customers can sell their solutions to other customers with comparable issues.
- ✓ Listen to customer discussions and become part of the ongoing dialogue.
- ✓ Grow and evolve by intelligently reacting to what customers suggest you should do. Engage end users as active participants in the development process.



**Philanthropy**  
 Make your company care about more than just the bottom line

Making money is all well and good but the business of any business should be more than that. You should be working towards making a difference in the world and giving something back to the community. Philanthropy has been woven into the DNA of Salesforce.com right from the company's beginning.

With this in mind, Salesforce.com developed what it called its 1-1-1 model for its own philanthropic foundation. This required the organization to donate:

- *1 percent of equity* – to be used for grants and monetary assistance to those in need. As the company grows, this one percent equity stake will grow in value proportionately.
- *1 percent of time* – meaning employees can take six paid days each year to devote to volunteerism and projects.
- *1 percent of product* – which can be donated to nonprofits to help them operate more efficiently and therefore be positioned to focus more resources on their core missions.

Salesforce.com also set up a program it called the “Power of Us” to encourage the company’s vendors and partners to become more active in their own philanthropic programs. Several Power of Us projects have been undertaken in an effort to bridge the digital divide by spurring the deployment of high-speed Internet access to community centers such as YMCAs and Boys & Girls Clubs. This aligned very well with the fact Salesforce.com was founded on the belief the Internet had the potential to be a game-changing democratizing tool throughout society.

Why is corporate Philanthropy such a good idea? Partnerships between private or public companies and community interest nonprofits can generate some great benefits:

- This is the right thing to do. Helping community groups always enhances bottom line profits over the long haul.
- Helping to do anything to reduce poverty levels will translate into a more skilled workforce and higher demand for products.
- Doing philanthropic work enhances your brand. It generates favorable press for your company leading to more loyal customers for you.
- It attracts potential employees who want to make a difference in the world.
- It’s fun and rewarding for everyone involved.

One of the additional benefits of going public is the stock gifted to your foundation can become worth a lot. This infusion of capital can allow the foundation to become self sustaining. With that comes the financial freedom to run other innovative philanthropic efforts. Some of the interesting programs Salesforce.com has run include:

- BizAcademy – a four-day entrepreneurial workshop where high school students from under served school districts learn what it takes to start and run their own businesses. Participants learn how to start and manage a business by creating, manufacturing and then selling their products (usually picture frames, clocks or potted plants) over the four days available. To motivate them even more, participants get to keep the profits they earn. Salesforce.com has already hosted more than fifteen BizAcademies around the world.
- Salesforce.com has participated in many in-kind product donation programs. A number of nonprofits have been given free subscriptions to Salesforce.com so they can improve their own fund raising programs and better manage their own organizations. Many other foundations now use the Salesforce.com platform to track their grants and operate more efficiently.
- Salesforce.com has gone out of its way to explain and demonstrate the benefits of corporate philanthropy to its partners, vendors and network. Many companies have picked up on the model and are applying it to start their own programs. Other partners are building applications which allow these nonprofits to use the software to do all kinds of interesting things like being able to make donations automatically rather than manually.

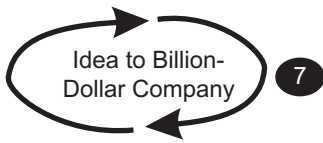
Philanthropy works for Salesforce.com because employees get closely involved in inspiring what the foundation works on. That way everyone takes a keen interest in what the foundation does – it’s not just a theoretical exercise dictated by the top executives. Since the company’s inception, more than \$14 million in financial grants have been given to nonprofits. When Salesforce.com reached the one million subscriber mark, it celebrated by giving away \$1 million to ten nonprofit organizations.

*“The foundation has made us a better company. It has served as a tool for collaboration with other companies. It has made our employees more fulfilled, more productive and more loyal. It has made us happier. Customers have rallied behind our cause. This is not why we do it, but the opportunity to work on something bigger together has positively affected our bottom line.”*

– Marc Benioff

- ✓ While goodwill and sincere intentions to do good are nice, nothing much will happen until you make philanthropy part of your company’s DNA. The way to do this is by integrating philanthropy into the way you operate right from the start. Make your foundation an integral part of your business model.
- ✓ Design your philanthropy program so it will grow with your company.
- ✓ Choose a cause that makes sense for you because it resonates with your people and get the best experts on board right from the get go.
- ✓ Include your vendors, your business partners and your entire business network in what you’re doing. Build partnerships that can and should help make the world a better place.

- ✓ Listen to the people you’re trying to serve and tailor what you do to meet their actual needs, not the needs you are merely assuming exist.
- ✓ Structure your program so it is self-sustaining and completely ongoing rather than a one-time spurt.
- ✓ Don’t hesitate to share your most valuable resources – your product and your people.
- ✓ Let employees inspire and run your philanthropic foundation.
- ✓ Embrace a revenue-generating business model for your foundation so it can be truly sustainable.
- ✓ Be proud of the good you do and the contribution you’re making. Create a legacy.



**Global**  
 Progressively introduce your product into more new markets

The traditional approach to global expansion was to build a rock solid and profitable domestic operation first and then start opening international offices. The Internet business era has changed that approach. Today, most companies plan on having international customers right from the outset, but more is involved in making this happen than simply having a Web site in the appropriate language.

Salesforce.com expanded internationally by setting up a corporate sales team in Ireland first. This sales team created training opportunities and started building critical mass. A field sales team was then added once the basic infrastructure for supporting customers was put in place. This worked out better than working through local partners because they always have a vested interest in keeping prices high because they are paid on margin. The Salesforce.com cloud computing business model doesn't really align with a partnering approach like that.

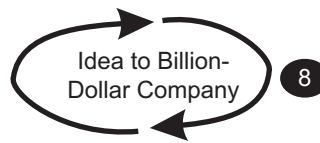
Since most of Salesforce.com's initial overseas sales were made by phone rather than in person, the company got started in various countries by having people work out of their homes or hotels. This saved the expense of maintaining a physical office. If customers wanted to meet in person, the local sales team would rent a meeting room in a prestigious hotel and use that as a virtual office. By selectively choosing world-class venues for these in-person meetings, Salesforce.com projected an image of success without the ongoing expense of dedicated offices.

Salesforce.com's basic sequential process for entering new markets could be summarized as:

- Select the country.
- Establish a beachhead in a way that makes sense.
- Gain customers and start earning local references.
- Start hiring people in that country once there are enough current customers in place.
- Seek partners who can continue to build the business and provide valuable add-ons.
- Continue to grow the field sales team until you have the reach which is desirable and required.

The essence is to build a one-company attitude across borders. You want your customers to be treated the same no matter where in the world they are. Expanding internationally is all about how you time building the infrastructure to do that.

- ✓ Build global capabilities right into your product from the start. Plan on building an international presence.
- ✓ Remind yourself often having a Web site in another language doesn't automatically mean you have a presence in that market. You also have to have people with the appropriate language skills answering the phones, local sales infrastructure and some forth.
- ✓ You should be able to use the same tactics you use in your local markets – free trials, build relationships with the press and encourage customers to become evangelists.
- ✓ Keep thinking and acting like a start-up when you go international.



**Finance**  
 Learn how to raise capital and generate a return without selling your soul

Marc Benioff invested \$6 million of his own money into starting Salesforce.com. Venture capital companies refused to invest so to gain more funding, Benioff went to his friends, colleagues and mentors. Larry Ellison invested \$2 million and others put in varying amounts. Eventually, over five rounds of financing from 1999 to 2002, \$65 million in funding was raised. Fortunately, the success of Salesforce.com means these early-stage investors have done very well. Larry Ellison's \$2 million is now worth more than \$200 million, for example.

The great thing about Internet businesses is the ready availability of all kinds of on-demand services means companies today need less capital to get started. Start-ups can run their entire operations in the cloud rather than investing in custom built software and dedicated hardware. This is a great thing because it encourages innovation.

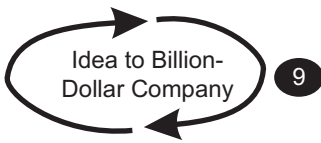
Salesforce.com also illustrates that often financial models evolve over the course of the start-up experience. The company first had a no-contract pay-as-you-go approach. It then moved to a subscription model with an annual contract where people pay in advance. This latter model has been useful because it allows future revenues to be predicted more systematically. It also meant Salesforce.com has become more stable from a financial perspective – which naturally was important when the company went public in 2004. By that stage, Salesforce.com had almost \$100 million in revenue.

*"There was a lot to get used to in our new status as a publicly traded company. At each level of growth, adjustments are required; it's the natural process of maturing. Although it took some time, we learned the virtue of patience and holding out for what we believed made the most sense. We learned to be more confident in ourselves, our products and our company. We learned that how you are treated in the marketplace is a reflection of how you behave. Although we built a company by making rapid decisions and by responding to the ever-changing needs of the market, financial success is not something we achieved through quick actions. As we've learned, it doesn't make sense to plan for the company you are. You have to plan for the company you want to be. What we do this year drives success for next year and the year after. You must make investments for the future."*

– Marc Benioff

- ✓ You'll always need more start-up capital than projected. Use Internet business models to reduce your start-up costs and then tap into your network for funding.
- ✓ Build a first-class financial team and comply completely with all applicable financial regulations. Play by the rules.
- ✓ When you have a fast growing company, track your revenue growth rather than profitability. Profits generally take a little while to come on stream so be patient.
- ✓ Set up a solid financial model to begin with but expect that model to evolve further down the track. Anticipate that you'll make changes as the company grows and these changes will flow through to your business model.





**Leadership**  
 Create alignment which is the key to organizational success

In a fast moving company, it's hard sometimes to get everyone on the same page and focused on the same goals. Salesforce.com addresses this challenge by using a simple acronym: V<sub>2</sub>MOM. You get everyone to understand the vision (what you're trying to do), your values (principles and beliefs), the methods you want to use, the obstacles you are anticipating will arise and the measures or metrics you will use to clarify progress and signal success. This simple exercise has worked very well in getting everyone aligned.

*"V<sub>2</sub>MOM has been used to guide every decision at Salesforce.com – from those we made in 1999 to the decisions we make today as the largest high-tech employer in San Francisco. The beauty of V<sub>2</sub>MOM is that the same structure works for every phase in the life cycle of an organization. We've used it as a business plan for our start-up, and we find the same construct to be effective for outlining the goals of a public company. Essentially V<sub>2</sub>MOM is an exercise in awareness in which the result is total alignment. In addition, having a clarified direction and focusing collective energy on the desired outcome eliminate the anxiety that is often present in times of change."*

– Marc Benioff

Salesforce.com has always worked at building a recruiting culture throughout its entire history. The limiting factor to the company's growth has always been talent and therefore hiring is considered the most important responsibility of the company's management team. When recruiting, the company stresses its vision for the future and the opportunity that will arise to be part of the building process. This appeals to talented people who want to do something great. Salesforce.com's corporate values are also something that appeals, especially the philanthropic foundation's work. If you want to get ahead, you have to build and then maintain a very effective recruiting machine.

*"Conventional wisdom says you should hire people who are not like you. That's wrong. Hire people who are like you, only better. Growing up, my parents always told me that to get better at tennis, I had to play with 'A' players. By playing with the best, they said, my own game will improve. What we value most is a desire to change the world via technology and an interest in giving back to the community. We find that this desire drives the type of candidate who shares our vision. Look for candidates who*

*appreciate your vision and share your values. These are the people who will fit best and make the most significant contributions."*

– Marc Benioff

Salesforce.com goes out of its way to keep the people who join the company. In addition to offering great compensation and rewards, the company is careful to orient new hires. It's not at all unusual for new hires to meet company leaders in person. Their computer equipment is set up and ready to go the first day they get to work and all the paperwork is taken care of before hand. Salesforce.com has a kitchen full of healthy snacks which any employee can access at any time. Employees also get company-paid gym memberships, free yoga classes, discounted tickets on Hawaiian Airlines and sometimes even free massages to mark new product releases. Anyone who makes their quota can take their spouse or partner on a three-day all expenses paid trip to Maui. It's common for employee achievements to be recognized at team meetings by presentation of a \$500 cash bonus. All of these things are done in order to keep employees happy so they will, in turn, make customers happy.

*"We've always believed that everything was going into the cloud because it was a model that allowed everyone to succeed. Now, in precarious times, we know that the advantages of cloud computing (less risk, no capital expenditure, predictable operating expenses, and fast results) will further spur adoption. Gartner estimates the current market for cloud services is \$46.4 billion, and by 2013, the market will reach \$150.1 billion. The SaaS market we evangelized is now growing twice as fast as the enterprise software market. We might be the first SaaS company to reach \$1 billion in revenue, but we won't be alone for long. Many entrepreneurs have serious concerns in these unprecedented times. I understand, as I had similar worries about my business during the last period of economic uncertainty. Having survived the dot-com disaster to build the fastest-growing technology stock on the NYSE, I know that markets are more receptive to change in challenging times. We are now in a time of extraordinary opportunity. People always ask me, what's in store for the future? The future is whatever we imagine. We all must think three years out, five years out, ten years out. What's ahead of us is whatever we create. Seize the opportunity in front of you. Imagine. Invent. Disrupt. Do good. I promise you that by considering everyone's success, you will see the return. I look forward to hearing about the future you predict – and living in the one you create."*

– Marc Benioff

- ✓ Focus your goals and align your organization by using the V<sub>2</sub>MOM system:
  - Vision – what exactly do you want to achieve?
  - Values – why is your vision important to your organization?
  - Methods – how will you get what you want?
  - Obstacles – what might stand in your way?
  - Measures – how will you know when you've arrived?
- ✓ Use both a top-down and a bottom-up approach to planning.
- ✓ Built a culture which welcomes recruiting and is good at it. Take hiring as seriously as you do generating revenue and hire people who are better than you at all times.

- ✓ Retain your top talent by making them successful and challenging them with new and bigger opportunities.
- ✓ Build a spirit of gratitude into your corporate DNA. Treat people well and they will want to stay forever.
- ✓ Always do the right thing by your people.
- ✓ Ask for employee feedback and then do what is suggested.
- ✓ Find practical ways to leverage all you do as a company.
- ✓ Make everyone in your organization successful. Extend that also to partners, vendors and all others with vested interests in what you're doing.