"A great guide for any aspiring entrepreneur or CEO navigating the landscape of the future. It's the playbook for Enterprise 2.0."
—From the Foreword by **MICHAEL DELL**

Behind the Cloud

the untold story of how salesforce.com went from idea to billion-dollar company— and revolutionized an industry

Marc Benioff

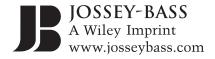**Chairman & CEO of salesforce.com**

and Carlye Adler

the salesforce.com playbook

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Contents

CONTENTS

Part 4 The Sales Playbook
How to Energize Your Customers into a Million-Member Sales Team 67

CONTENTS

vi

Contents

Part 8 The Finance Playbook
How to Raise Capital, Create a Return, and Never Sell Your Soul 201

Foreword

In 2001, in the midst of our previous economic meltdown, Marc Benioff came to me worried. Internet companies had evaporated overnight, and salesforce.com, a two-year-old company with a high proportion of dot-com customers, was ailing. "I'm scared about the future of my company," Marc said. "We can't get venture capital. I'm worried about survival."

It was a precarious time, but I knew then, as I know now, that economic shakeouts need not bode misfortune for technology companies. Not, at least, for innovative ones. Technology does not recognize economic recessions or depressions; it always continues. And, as all visionaries know, in chaos there is opportunity. I assured Marc that salesforce.com would last. "This is your time," I said. "You can do this."

I was bullish on salesforce.com and Marc, not because I have a crystal ball (though that certainly would be convenient), but because there was a need for change in the software industry and an audience ripening for salesforce.com's "End of Software"

revolution. I had seen similar issues with affordability and accessibility plague the hardware industry when I started Dell.

Computers have long been a personal passion; growing up, I was fascinated with the machines but also struck by the inefficiencies in the industry, which required that we purchase computers from dealers, who bought them from distributors or manufacturers. Not only did that system yield a computer that cost four times the value of the parts inside, but it took so long that the machines were obsolete by the time customers got them. Buying direct from the source was an unprecedented idea in the industry, but it made common sense—even to a college student. The drive to implement simple new ideas and defy traditional ones has been the foundation of Dell—and the biggest reason our company has reaped huge rewards.

Salesforce.com sought to solve similar inefficiencies in the software industry. Enterprise software was exorbitantly expensive and onerous to implement, and, in the end, it didn't work very well. This was what enterprise customers came to expect. (Forget smaller customers; they couldn't even afford it.) Marc changed that reality when he used the Internet as a platform to deliver business software and reduce the risks and costs long associated with the client-server model. Saleforce.com made its service available to the masses, and it attentively and creatively engaged with its entire audience. It worked for the people who used the service (not only the folks paying for it), and it built what they requested. This earned salesforce.com an army of enthusiasts. And the company's focus on customer success forced all companies in the software industry—and far beyond—to rethink their models.

It certainly has inspired new thinking at Dell. Over the past few years, we committed to making some fundamental

changes. We needed to refocus on providing the best customer experience, and we wanted to scale far beyond the commodity game and rapidly increase innovation. I went to Marc, who always seemed to be a machine for new ideas, and asked him, "How can we innovate faster?"

Marc told me about an internal networking technology they were using at salesforce.com to work with customers and create a "feedback loop." This discussion led to IdeaStorm, an online community forum that we now use to engage our customers, elicit their ideas, and help determine which ones to put into practice. The site, which is like a live 24/7 focus group, has helped field ideas from more than ten thousand customers and allowed us to offer better products, such as notebooks with Linux OS preinstalled, backlit keyboards, and computers with more USB ports. At the time I am writing this, our customers have contributed 11,289 ideas, which have been promoted by other customers more than 651,394 times, with over 84,908 comments. IdeaStorm enables us to listen as never before, and it was a turning point in restoring our reputation as a customer-centric company.

At Dell, we've seen the benefits of having Marc and salesforce.com on our side. It has helped us align twenty thousand members of our global sales team, integrate thousands of our global channel partners, and rapidly evolve ideas. That's why we're now deploying the service across Dell and putting it at the center of every customer interaction.

Eight years ago, Marc had concerns about salesforce.com's survival, but of course it didn't just survive—it thrived. It has earned the distinction as the first dot-com listed on the New York Stock Exchange, and today it generates more than $1 billion in annual revenue. Salesforce.com changed corporate

philanthropy by integrating giving into its business model—and sharing that model so that myriad companies have collectively flooded talent, products, services, and billions of dollars into their communities. Because salesforce.com offers employees an opportunity to make a difference, not just earn a paycheck, it's known as one of the best places to work. Its original application has become the number-one hosted CRM service, and the company has established itself as the leader in the Software-as-a-Service (SaaS) industry it pioneered. And, through relentless focus, creativity, and passion, salesforce.com inspired an enterprise cloud computing industry. In short, the new and unconventional ideas that salesforce.com has evangelized have changed the way we do business and changed the world.

There has been a profound shift toward cloud computing in the past few years. Nearly every major public and private cloud is powered by Dell, and we are ecstatic to be running today's most exciting companies, including salesforce.com, Facebook, Microsoft, and many others. What motivates me most about this new way of computing is its potential for mass innovation. Now, for the first time, developers across the globe can access unlimited computing power. It's extraordinary that with a simple Web connection, anyone can build applications and deploy them to users everywhere.

By igniting the SaaS industry and then offering its Platform-as-a-Service, salesforce.com has spawned an ecosystem of countless new companies. It has offered large companies (such as Dell) and smaller companies just starting out valuable insights on how to innovate and succeed in the future.

In *Behind the Cloud*, Marc Benioff shares his unconventional advice in a clear and entertaining way. The lessons in this

book are not exclusive to technology companies. They are applicable to all companies and all leaders who want to change the status quo and make a difference. Marc tells the inspiring story of how they did it at salesforce.com, and reveals how anyone else can, too. This is a great guide for any aspiring entrepreneur or CEO navigating the landscape of the future. It's the playbook for Enterprise 2.0.

We are in unprecedented economic times, but we are also in a new era of innovation. I tell anyone running a business today exactly what I told Marc when he was weathering a challenging climate: this is your time. You can do this. And, with the tools in this book, it will be easier and more rewarding than ever before.

Michael Dell
Founder, Chairman, and CEO of Dell

Introduction

This book is the story of how salesforce.com created a new industry, made our customers successful, and established itself as the market leader, all while making the world a better place. In this playbook, I'll share the strategies that I've developed during my thirty years in the technology business, the last ten as the cofounder and CEO of one of the fastest-growing software companies in the world.

I started salesforce.com in a rented apartment in 1999 with the goal of making enterprise software as easy to use as a Web site like Amazon.com. That idea—to deliver business applications as a service over the Internet—would change the way businesses use sophisticated software applications and, ultimately, change the way the software industry works. In less than a decade, our business has grown from a simple idea to a public company with more than a billion dollars in revenue.

We have achieved success by approaching business in a new way. The new models we have created—for marketing,

sales, technology, finance, philanthropy, global expansion, and leadership—have been effectively employed by other companies, and we believe that any company can succeed with our strategies.

At a time when more entrepreneurs are starting companies faster and cheaper than ever before, the simple, accessible, and unconventional advice offered here will help you stand out, innovate better, and grow faster in any economic climate. The book follows the same easy-to-use and easy-to-implement mantras as our service. Divided into 111 "plays" (a fitting number, as our 1-1-1 model is so responsible for our success), it tells you how we developed award-winning breakthrough products, toppled much larger competitors, won customers of all sizes—and reveals how you can do all this too. As we promise customers who use our service, expect to see immediate results. That's not all, though. I'll show you how to build a business that's not just profitable but inspiring: good for your employees, good for your customers, and good for your community.

Perhaps like you, I have always wanted to be an entrepreneur. I grew up watching my father run a chain of women's clothing stores, and my grandfather, an innovative and unusual attorney, run his own practice and create BART, the San Francisco Bay Area Rapid Transit system. My obsession with software began when I wandered into a computer lab in high school. I would beg my grandmother to drive me to the local RadioShack so I could use the TRS 80 model 1. Later, I used the income I made at my after-school job (cleaning cases at a jewelry store) to buy my own computer. I wrote my first piece of software (How to Juggle) and sold it for $75.

What I really loved was the ways we could use computers to share information. When I was fifteen years old, I started my first company, Liberty Software, with some friends. We wrote

adventure games for the Atari 800. My grandmother wrote the music for the games, and my parents were supportive of my entrepreneurial endeavors, even permitting me to travel to Europe on my own to research a castle I was going to replicate in a game. (The sense of independence that trip initially fostered was quelled when I forgot to phone home and my panicked mother called Scotland Yard. Embarrassing, but true.)

It was incredible to sell something that I had created from nothing. I took the reviews very seriously; even back then I knew that to be successful I needed to listen to the users. Luckily, the games did well. I was sixteen years old and earning royalties of about $1,500 a month. It was enough to buy a car and cover college.

I focused my studies at the University of Southern California on building companies and creating new technologies, and ran Liberty Software out of my dorm room. The lessons I learned as an entrepreneur were pivotal, as were those I learned working for somebody else. In 1984, I had a summer job at Apple writing some of the first native assembly language for the Macintosh. I had the opportunity to work on the most exciting and important project at Apple, and it was like getting paid to go to Disneyland. There were fruit smoothies in the refrigerators, a motorcycle in the lobby, and shiatsu massages.

The very best part was being able to witness Steve Jobs walking around, motivating the developers. Steve's leadership created the energy and spirit in the office. Apple encouraged the "think different" mind-set throughout its entire organization. We even had a pirate flag on the roof. That summer, I discovered that it was possible for an entrepreneur to encourage revolutionary ideas and foster a distinctive culture.

That lesson became even more obvious when I returned to Apple for a second summer internship as a technical sales support person with an Apple partner. Although only one year had passed, Apple was an extraordinarily different place. Steve Jobs had been fired, and everything I enjoyed about Apple's visionary culture had evaporated.

While the environment was not as invigorating, I learned another critical lesson that would guide the rest of my career: the power of each customer exchange. If the exchange was executed as well as possible—if we made the customer truly successful—we had the opportunity to transform him or her into an Apple loyalist and evangelist. This opened my eyes to the importance of customer success.

At heart I was still a shy computer programming geek addicted to building technology, but right before graduation, two of my entrepreneurship professors, Tom O'Malia and Mac Davis, offered some direct advice that significantly altered my path. They told me that the most successful business executives would be the ones who got real-world experience before starting their own companies. In their opinion, "real-world experience" was a sales position focused on building relationships with customers. They called it "carrying a bag."

Their advice led me to accept a job at Oracle, answering customer service calls that came into the software company's 800 number. I wasn't convinced that I wanted to dedicate myself to sales, and I didn't want to be an 800-number operator, but I soon discovered that working with customers was much more fun than writing code, and it turned out that I was pretty good at it.

Oracle had about two hundred people when I started, and the fast-growing company prized the efforts of young people and rewarded them. Founder and CEO Larry Ellison regularly

walked the halls to chat with employees. (I usually took these opportunities to share my enthusiasm for Macs.) Soon after I sent Larry a note asking when Oracle would be on the Macintosh and included a business plan about how to make us successful in the Apple market, Larry made me the director of Oracle's Macintosh division.

Being responsible for the division that created software for personal computers was an amazing opportunity. Then, after Tom Siebel, the executive who ran direct marketing, resigned and recommended me as his replacement, I inherited an even more exciting and formative role.

It was Larry's vision that inspired me. He wanted me to create an "electronic village" and the next generation of sales and marketing using state-of-the-art electronic conferencing technology, software systems, and multimedia. Larry envisioned a world of interconnected computers that could easily share information across the planet at the touch of a button. The Internet seemed to offer a path to reach small and disaggregated customers, and I believed it could ultimately transform the industry.

By the mid-1990s, such companies as Amazon and Yahoo! were introducing a new way of life for consumers. Many of my colleagues were leaving Oracle to lead their own companies, most of which were traditional software plays. In many ways, Oracle served as an incubator where you got your legs, built a network of friends, and learned what you needed to go off on your own—and ultimately compete with Oracle. Although I had invested in several of these companies, I wasn't quite ready to leave Oracle University. I felt tethered to the growing corporation by the excitement of a powerful job and the security of a lucrative salary and addictive stock options. In addition, there

was the relationship I had with Larry, my mentor and friend, one of the greatest software entrepreneurs in the industry's history. I was learning from the best.

During my tenure at Oracle, the company exploded into the second-largest software company in the world, right after Microsoft. Although its culture prized innovation, the company could no longer respond quickly or easily to new directions or opportunities. I found that limitation extremely challenging, and it eventually drove me to seek opportunities outside Oracle.

Maybe you are thinking about leaving a secure job to start your own company, or perhaps you are already running your own business. For me, launching salesforce.com was a way to respond to new directions and new opportunities that I could not pursue from inside an established corporation. It was a license to do things differently. From the very beginning, salesforce.com set out to build a new technology model (on-demand, or delivered over the Internet—now called cloud computing), a new sales model (subscription based), and a new philanthropic model (integrated into the corporation). Ten years later, we had succeeded on all of these fronts. We also had surpassed my expectations by creating the first $1 billion cloud computing company and spawning a new $46 billion industry, of which we are the market leader.

Read on to learn how we became one of the world's fastest-growing software companies and about the tremendous fun we've had along the way. You'll travel with us as we have our big entrepreneurial epiphany, as we turn a simple idea into a start-up company, and as we develop innovative technology and sell it through unconventional strategies. You'll witness our struggles, including coming close to bankruptcy during the dot-com disaster. Finally, you'll see how our unconventional

ideas were validated through our listing on the New York Stock Exchange and how, through it all, we've found a way to give back.

The tactics and strategies that define our story can help any company succeed, and even become the next salesforce.com. So turn the page and envision your success. This is the first step in making it happen.

The Start-Up Playbook
How to Turn a Simple Idea into a High-Growth Company

Play #1: Allow Yourself Time to Recharge

Some ideas hit with a big bang. Others take time to stew. The idea for salesforce.com had been simmering since 1996 when I was a senior vice president at Oracle. I had been there for ten years and was becoming something I had never anticipated: a corporate lifer.

I knew that I needed a change, but I wasn't sure what I wanted to do. Quit? Start a company? Take Oracle in a different direction? I was searching for balance in my life as well as an opportunity to pursue something meaningful. I took a badly needed sabbatical from work and rented a hut on the Big Island

1

of Hawaii, where I enjoyed swimming with dolphins in the ocean and having enough time by myself to really think about the future.

My friends, including Oracle colleagues, came to visit. We had long talks about what the future would look like and what we wanted to do. Katrina and Terry Garnett were among those who spent time with me. Terry and I became friends when he ran marketing and business development for Oracle. He later moved to Venrock, the Rockefeller family's venture arm, celebrated for its wise investments in companies like Apple and Intel, and he was making investments in early-stage start-ups. I had a great respect for his market instincts. One day, during a swim, we began discussing online search engines and how the Internet was changing everything for consumers.

I was intrigued by Web sites such as Amazon.com, which revolutionized the way consumers shopped. I thought the Internet would change the landscape for businesses, too. I told Terry that I was exploring how to take the benefits of the consumer Web to the business world. He enthusiastically encouraged me to pursue my own Internet technology business. "You've been at Oracle forever; you know the safe route," he said. "But I think you are an entrepreneur. I think you can do something new."

After three months in Hawaii, I traveled to India for two months with Arjun Gupta, a good friend who was at a similar crossroads. We had an incredible awakening in India. One of our most invigorating meetings was with His Holiness the Dalai Lama, who talked about finding one's calling and the importance of community service. We also sought insight from the Hindu guru and humanitarian leader Sri Sri Ravi Shankar. But the most pivotal meeting for me was with Mata Amritanandamayi,

2

commonly known as Ammachi, "the hugging saint," because she warmly embraces everyone who comes to visit her. She's hugged at least thirty million people and has calluses on her face from so many encounters. Known as the "mother of immortal bliss," she has dedicated her life to easing the suffering of others.

Arjun and I met privately with Ammachi, and it was she who introduced me to the idea, and possibility, of giving back to the world *while* pursuing my career ambitions. I realized that I didn't have to make a choice between doing business and doing good. I could align these two values and strive to succeed at both simultaneously. I told her I was thinking about leaving Oracle, and she told me, "Not yet."

My sabbatical was one of the most productive periods of my career; it was certainly one of the most influential. Don't be afraid to take time off when you need it. You could learn something that will change the course of your life, and at the least you will stave off the burnout that plagues so many driven, entrepreneurial people.

Play #2: Have a Big Dream

I saw an opportunity to deliver business software applications in a new way. My vision was to make software easier to purchase, simpler to use, and more democratic without the complexities of installation, maintenance, and constant upgrades. Rather than selling multimillion-dollar CD-ROM software packages that took six to eighteen months for companies to install and required hefty investments in hardware and networking, we would sell Software-as-a-Service through a model known as cloud computing. Companies could pay per-user,

per-month fees for the services they used, and those services would be delivered to them immediately via the Internet, in the cloud.

If we hosted it ourselves and used the Internet as a delivery platform, customers wouldn't have to shut down their operations as their programs were installed. The software would be on a Web site that they could access from any device anywhere in the world, 24/7. This model made software similar to a utility, akin to paying a monthly electric bill. Why couldn't customers pay a monthly bill for a service that would run business applications whenever and wherever?

This delivery model seems so obvious now. Today we call it on-demand, Software-as-a-Service (SaaS), multitenant (shared infrastructure), or cloud computing. In fact, Nicholas Carr, former executive editor of the *Harvard Business Review* and one of the most influential thinkers in the IT industry, has since written two best-selling books validating this idea. Carr has even suggested that "utility-supplied" computing will have economic and social impacts as profound as the ones that took place one hundred years ago, when companies "stopped generating their own power with steam engines and dynamos and plugged into the newly built electric grid."[1]

The industry has come a long way, but consider that when we started, we didn't have these industry supporters, or even these words, to describe the computing revolution we believed was beginning. Although there was yet to be any kind of SaaS industry, I believed that all software would eventually be delivered in the cloud. I would soon find that in order to pursue my dream, I had to believe in it passionately and be ready to constantly defend it. This lesson learned during our earliest days still guides us today.

Play #3: Believe in Yourself

While I was in Hawaii, the customer relationship management (CRM) company Siebel Systems went public. I had worked with the founder, Tom Siebel, at Oracle, and was familiar with a sales force automation product called Oracle Automatic Sales and Information Systems (OASIS), which he had developed and had parlayed into Siebel. I thought a program that allowed salespeople to track leads, manage contacts, and keep tabs on account information was a great idea, and I had been an early angel investor in his company. Siebel took off, and the IPO netted me a great return, yet I also knew the product's flaws. This made me think about sales force automation (SFA) or CRM as an application category with revolutionary potential to be delivered on-demand, as a service.

SFA is a huge market; every company has some kind of sales force. In the late 1990s, when I was investigating the category, there was certainly room for improvement. Enterprise software was especially burdensome for the customer. It required maintenance and customization that needed months, or even years, to get right. It also required a hefty IT resource commitment, and more money than many companies wanted to spend on this aspect of their businesses. It struck me as curious that although this software was so troublesome, it remained wildly popular. I attributed this to the fact that if the software could increase sales productivity by even 5 percent, it made a meaningful difference to a business. What would happen, I wondered, if we offered a product that could increase productivity by the same amount, or more, *and* we made it easier to afford and use? Could you get a return on investment in six to twelve months rather than in three to five years? Replacing the traditional client-server model for an

on-demand service that was simple and inexpensive seemed like a sure thing to me.

I had a number of conversations with Tom Siebel about creating an online CRM product. Typical licensing software was selling for extraordinary amounts of money. The low-end product could start around $1,500 per user per license. Worse, buying pricey software wasn't the only expense. There could be an additional $54,000 for support; $1,200,000 for customization and consulting; $385,000 for the basic hardware to run it; $100,000 for administrative personnel; and $30,000 in training. The total cost for 200 people to use a low-end product in the 1990s could exceed $1.8 million in the first year alone.[2]

Most egregious was that the majority of this expensive (and even more expensively managed) software became "shelfware," as 65 percent of Siebel licenses were never used, according to the research group Gartner.[3]

I told Tom about the SaaS CRM solution I envisioned. We would have "subscribers" pay a small monthly fee ($50 to $100, which added up to less than half the cost of the traditional systems), and we'd "operate" it so there would be no messy installation for the customer. Tom liked the idea so much that he invited me to join Siebel.

Through further discussions, however, I realized that Tom saw the potential only with the small business division, a tiny percentage of Siebel's market. I saw the idea as having much wider appeal. I thought it was something that could revolutionize the software industry. I knew Internet-based applications would eventually replace traditional offline software. I became passionate and obsessed with this idea, and decided to go after it on my own.

Play #4: Trust a Select Few with Your Idea and Listen to Their Advice

I was certain that I wanted to start salesforce.com, but I wasn't ready to openly discuss my idea. In fall 1998 I met for lunch with Bobby Yazdani, a friend from Oracle and the founder of the human capital management company Saba Software. We were getting together to discuss Saba, in which I had invested.

Like me, Bobby was struck by the transformation that was happening because of the Internet. We knew we were witnessing a major shift, and it wasn't long before our conversation turned to the subject of ambition and entrepreneurship.

"The number-one mistake entrepreneurs make is that they hold their ideas too closely to their chest," Bobby said. "Their destiny is their destiny, though. If they share their ideas, others can help make it happen."

I considered what Bobby was saying and silently acknowledged how I hadn't mentioned the idea of starting salesforce.com to anyone since Tom Siebel. Maybe Bobby had a valid point. I told him I wanted to build CRM online and deliver it as a service.

"It's very good you told me," he said.

"Why's that?"

"I have three men working for me as contractors. Not only do they have SFA experience, but they have experience with major Internet applications as well. They are the best of both worlds."

I couldn't believe this coincidence, or my good fortune. Bobby explained that the three developers had their own company, Left Coast Software, and that he had wanted to buy them

7

out, but they weren't interested. They wanted to grow something, and felt that Saba was too far along. "They are brilliant engineers with good vision," Bobby said. "Let me introduce you to Parker Harris." I wasn't aware of it at the time, but by the end of that lunch my destiny was set.

Play #5: Pursue Top Talent as If Your Success Depended on It

I met with Parker Harris as soon as possible. "So, are you guys good?" I asked.

"We're some of the best people you'll find in the Valley."

I liked that confidence, especially considering that it was bolstered by what I had already heard. Still, I prepared myself for a very short meeting. Although Parker seemed like a promising technical candidate, I wasn't sure that this was the next move he had envisioned for himself. I'd heard that Parker had recently returned from a six-week trek in Nepal and told his business partners that he wanted to do something more meaningful than helping salespeople sell more. I was concerned that Parker would be fundamentally opposed to SFA and that he would think it boring because he had done it before.

I also thought that enterprise software was boring, but my vision was to do something much bigger. My vision was "the end of the software business and technology models" as we knew it. I believed that this was a great story and would appeal to Parker, who had majored in English literature at Middlebury College. Building this service also provided an intellectual challenge inasmuch as it had to be highly scalable, reliable, and secure; the service had to be something every customer could use simultaneously. I knew that the scaling

8

test would be compelling to any great developer. I also had a trump card: Parker wanted to be in San Francisco. Every day, he endured a long commute from his house in the city to the Saba offices in Redwood Shores. "I have the same problem," I told him. "Salesforce.com will be in the city."

Parker was sold, but he had to get his business partners, especially the more pessimistic Dave Moellenhoff, to see the light.

Play #6: Sell Your Idea to Skeptics and Respond Calmly to Critics

On a Saturday morning in November 1998, the developers from Left Coast Software came to my house on Telegraph Hill to discuss building salesforce.com. I had written a short business plan in preparation for the meeting. After the developers read it, Dave told me all the reasons why it was "a crackpot idea" and would never work.

"It's an enterprise sale," Dave said.

"This is totally different than all of enterprise software. It's the next generation of companies that don't even sell software. It is a new, more democratic way. It is the end of the software technology model. It is the end of the software business model. It is the end of software as we know it," I replied.

"You'll have to invest a ton of time to land customers," Dave said. "Why would they trust this? Why would they buy this?"

"People want to be a part of something that is the future," I said. "Besides, people are frustrated with the current systems. This will be better: we'll deliver the applications as a Web site with easy-to-use tabs. It will be as simple as Amazon

or Yahoo! Unlike our competitors, we're not asking for a big investment up front. The concept is a simple subscription model of $50 per user per month. It's 10 percent of what people are paying for Siebel—and, unlike Siebel, we'll have our customers forever."

"What about Siebel? Don't you find its dominance frightening?" asked Dave. "Is there room for someone else?"

"Siebel is unable to satisfy most companies out there. The Internet will allow us to give *all* companies an alternative solution for which they don't have to pay a fortune and that they will enjoy using. The Internet, with all this power and capability, will destroy the client-server companies that stand today. Technology is always becoming lower in cost and easier to use. It's a continuum. Let's ride it."

Dave tried to provoke me with negative comments about the products we built at Oracle (where I was still working). "Frankly, Oracle hasn't created anything great other than its database," he said.

I knew better than to take offense, and I simply disagreed politely. Later, Dave told me that he had planned to grill me to see how I would convince people of the concept and was also testing to see how I would react to negativity. He assumed that I must have had a temper to survive and thrive at Oracle—a Machiavellian environment perpetuated by Larry's well-known "management by ridicule" style. (It was no secret that insiders described the culture with the phrase "We eat our young.") That wasn't how I liked to operate, though. The time I'd spent in India and my commitment to practicing yoga and meditation served me well, as did reading Sun Tzu's *The Art of War*, which advocates keeping one's cool at all times.

How to Stay Calm in the Eye of the Storm

''He who is quick tempered can be insulted,'' Sun Tzu explained in the *Art of War*. These four checkpoints can help you stay cool — and retain your power — even in the most heated situations:

- Stay in the present moment.

- Observe your feelings. Do not become your feelings. Be aware of your reactions.

- Do not take on others' feelings, but listen to others — and yourself.

- Ask yourself, ''How should I handle this? Should I react at all?''

Play #7: Define Your Values and Culture Up Front

On March 8, 1999, Parker Harris, Frank Dominguez, and Dave Moellenhoff began working in a one-bedroom apartment I'd rented at 1449 Montgomery, next door to my house. We didn't have office furniture, so we used card tables and folding chairs. What we lacked in furnishings, we made up for with an amazing view of the San Francisco Bay Bridge. I hung a picture of the Dalai Lama over the fireplace and another of Albert Einstein on the wall. Both were part of Apple's new ad campaign, and each said, ''Think Different.''

My summers at Apple had taught me that the secret to encouraging creativity and producing the best possible product was to keep people fulfilled and happy. I wanted the people who built salesforce.com to be inspired and to feel valued.

11

That wasn't to say there was anything glamorous about those early days. (The original server room was the bedroom closet, which also held Frank's clothes because he was flying down from Portland for the workweek and sleeping on a futon under his desk.) We built a culture simply by doing what we enjoyed. We wore Hawaiian shirts to instill the aloha spirit in the company. We ate late breakfasts at one of my favorite restaurants, Mama's, just down the street on Washington Square. Dave brought his dog to work. I got a dog too, a golden retriever named Koa, who also joined us in the office and soon got promoted to CLO (chief love officer).

Play #8: Work Only on What Is Important

We built the first prototype within a month. It didn't take very long because the developers knew sales force automation from their previous experiences. Further, it was a lot easier to build a Web site than to create complicated enterprise software. Our overarching goal was, as the developers said, to "do it fast, simple, and right the first time." The user interface was bare bones almost to a fault, but we wanted the service to be extremely easy to use. It had only the necessary information fields, such as contacts, accounts, and opportunities, which were initially organized by green tabs at the top of the screen. "No fluff," one of our first developers, Paul Nakada, used to say. Exactly like Amazon, I thought.

Our focus was directed at developing the best possible and easiest to use product, and this is where we invested our time. Realize that you won't be able to bring the same focus to everything in the beginning. There won't be enough people or

12

enough hours in the day. So focus on the 20 percent that makes 80 percent of the difference.

Play #9: Listen to Your Prospective Customers

I invited friends and colleagues to visit the apartment, which I called the Laboratory, and asked them to test the prototype and offer feedback. Michelle Pohndorf Forbes, a family friend who was in sales, was one of the first people we invited to cycle through the prototype. She constantly reminded us to make the site easy to navigate with as few clicks as possible. My friends who worked at Cisco shared everything they hated about using traditional enterprise software products, and they walked us through what wasn't working for them. We listened and then responded by designing salesforce.com to be all the things that traditional software wasn't.

Unlike the way software had traditionally been developed—in secret—everyone was welcome at the Laboratory. When a group of Japanese businessmen were in town, they came to see what we were creating. We eventually became a stop on a tour for visiting Korean businesspeople who were interested in seeing an American start-up. Being inclusive of potential users from large and small companies across the world helped us gain valuable insight. After all, our goal was to build something that could serve as a global CRM solution for the masses.

In addition to asking dozens of people to cycle through the application, we hired Usability Sciences in Texas to test the product. The company provided feedback and videotapes of people using the site so that we could see what else needed tweaking. One problem we discovered, for example, was that

13

our "create a new account" button was in the wrong place. It was on the right-hand side, and it disappeared on some monitors. By simply moving it to the left side, mirroring the way people read, we saw a huge improvement in the way people used the site. This experience proved the value of involving prospective users in order to build a user interface that was intuitive.

Play #10: Defy Convention

Asking users for feedback so that you can fine-tune a product or service to their needs is common sense. Yet this practice was completely counterintuitive to the way the software industry worked. Don't be afraid to ignore rules of your industry that have become obsolete or that defy common sense.

Creating an attractive user interface that people enjoy using is the key to building a truly great product. This seems so obvious, but it wasn't the way in which software design was customarily approached.

Steve Jobs is the master of building computer products that create customer excitement and loyalty. It's also no coincidence that his products look like nothing else out there. Think differently in everything you do.

Play #11: Have—and Listen to—a Trusted Mentor

When we first started building salesforce.com, I was still working at Oracle, where I was creating a new software product called Internet File System and developing the company's philanthropy program. I had many long conversations with my boss, Larry

Ellison, about my outside endeavor. Brainstorming with Larry about new ideas and products had always been the best part of my job, and Larry was very insightful and encouraging when it came to salesforce.com. He gave me permission to work at salesforce.com in the mornings and come to Oracle in the afternoons. I was grateful for that unusual arrangement.

Then, after I'd been running and self-financing sales-force.com for ninety days, Larry suggested I take a leave of absence from Oracle. He said that if salesforce.com didn't work out, I could come back—a remarkable and generous offer. Larry valued loyalty, and until that time, he'd been quick to say "good riddance" to anyone who expressed an interest in moving beyond Oracle. Larry was much more than my boss, though. He was my mentor for more than a decade as well as a close friend.

Throughout the thirteen years we worked together, Larry and I spent countless hours discussing potential future innovations. Larry believed that salesforce.com was the next big idea, and he invested $2 million in seed money and joined the board of directors. He knew that I needed top talent, and as he was aware that Oracle would be the first place I would look to find it, he requested I take only three people from Oracle with me to salesforce.com.

Play #12: Hire the Best Players You Know

I obliged Larry's request to limit my use of Oracle as a recruiting fair, but I was ecstatic about the opportunity to handpick three talented and well-trained individuals to help build salesforce.com. I asked Nancy Connery to run recruiting and human resources, something we desperately needed. I tapped

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The Larry Ellison Playbook

Many of the lessons I learned from Larry still guide me today. Most of all, he taught me that accomplishments are fueled by faith. When Oracle entered its darkest days, every employee, customer, analyst, and even the people closest to him doubted the company would rebound. Even in that difficult climate, Larry's resolve never faltered. What I learned from Larry:

- Always have a vision.
- Be passionate.
- Act confident, even when you're not.

Jim Cavalieri to build the hardware on which the software would run. Jim didn't know anything about sales force automation, as his background was large databases, but I believed he could build a system with the right infrastructure that would allow us to scale to support millions of users. Later I hired Mitch Wallace, whom I had also met at Oracle. I had been impressed by the inventiveness Mitch showed in building an application for the California Mentor Initiative, and he had been a key player in helping me build Oracle's philanthropy program.

Thanks to Nancy's focus on hiring, we began to grow, and our burgeoning team soon took over the entire apartment. I based the developers in the Laboratory, which was upstairs, with the view, and moved the marketing and salespeople, aka the "talkers," downstairs so that they wouldn't distract the engineers. (Engineers rule.) Eventually, I banned the talkers from the upstairs entirely in order to maintain a serene environment for the developers. We used the balcony as the conference room.

- Think of it as you *want* it, not as it is!

- Don't let others sway you from your point of view.

- See things in the present, even if they are in the future. (We joked that Larry got his tenses confused because he would talk about things that hadn't happened yet as if they had. This taught me that a successful leader is one who is always thinking about the future, not just the present. Wayne Gretzky famously put it another way: ''Skate to where the puck is going, not where it has been.'')

- Don't give others your power. Ever.

Our friend Jim Gray, the legendary computer scientist and head of Microsoft research, who was tragically lost at sea in 2007, was nearby as well. He sent me an e-mail in 1999 asking what I was doing. When I told him, he replied, ''There goes the neighborhood.''

In a way, Jim Gray was right. It wasn't long before our growing staff appropriated my house next door. The developers strung Ethernet cable out the office window, through the redwood trees, and into my home so that we could all communicate. (These were the dark days before wireless.) My assistant worked from my home, as did Nancy, who ran human resources in a downstairs bedroom with a product manager, a business development manager, and a part-time attorney. It wasn't ideal. I would often come downstairs to get breakfast and find recruits sitting on my living room sofa. As we were growing into a real company with an amazing and dedicated team, salesforce.com was quickly filling every corner of my life.

Play #13: Be Willing to Take a Risk—No Hedging

A few months into building salesforce.com, Magdalena Yesil, a fellow entrepreneur and salesforce.com's first investor, and I were leaving a promising meeting with a potential investor when she turned to me and said, "The next major step is for you to fully leave Oracle and end your leave of absence. It is time to be a full-time entrepreneur."

This caught me by surprise. I had assumed that I could nurture salesforce.com without abandoning Oracle. I had spent so much of my career at Oracle, and it had become so much a part of my identity. I realized that Magdalena was right, though. It was time to cut my other ties and devote everything I had to building salesforce.com. After all, I was relentlessly passionate about the idea, which made me willing to take an enormous risk. This was a major turning point in how I viewed the company and my role in it.

In July 1999, salesforce.com became my full-time job. The first decision I made was that having everyone working next door and out of my living room was not the most sustainable solution. On my first official full day of work, I went out to look for new office space. My sister's friend recommended the Rincon Center. I liked it immediately because there were dolphins decorating the building, and I viewed this as a positive sign because I had developed the idea for salesforce.com while swimming with dolphins in Hawaii. Parker and the team came to see the new space. It was nearly eight thousand square feet and long and narrow. At the time, there were ten employees at salesforce.com. "That's way too much space," Parker said.

How to Leave a Place Where You Have Invested Everything—Without Burning Bridges

Leaving the comfort and security of a current position to start your own venture is exciting — and daunting. You'll first need to do your own soul-searching to gain the necessary confidence. These five tips can help make the process of leaving easier, and ultimately make the venture more successful.

> **Seek the encouragement and support of your mentor**. The best mentors encourage their mentees to take risks and push their limits. These mentors will serve as an important support system.
>
> **Build a welcoming environment with familiar faces**. At sales-force.com, we initially hired people from our own circles — be it from our social circles, fellow alumni from Oracle, or even from college. Using this approach made it easy for me to feel fully confident in my team, and made our first employees — people who also left secure roles — feel more comfortable and excited about embarking on this adventure.
>
> **Embrace increased responsibility**. The opportunity to grow your career is always a key reason to make a move from a secure company.
>
> **Consider the thrill of the unknown**. Joining a start-up is one of life's most exciting and rewarding experiences. Sure, it has its ups and downs like a ride at an amusement park, but for many people that's enjoyable.
>
> **Weigh the ability to take risks**. Having faith in your abilities is essential, but so is examining where you are in life and whether or not risk-taking is an option.

"We'll never use it all. What are you doing?" He was very upset and concerned.

I wasn't thinking about the company we were at that moment. I was thinking about the company I wanted us to be. "I like it; we're going to take it." I said. "We'll be out of here before you know it." Parker did not believe me.

Play #14: Think Bigger

In summer 1999 we had ten employees and a two-page Web site (a home page and a recruiting page requesting that resumes be sent to cooljobs@salesforce.com). Everywhere we looked, Internet companies were growing wildly, and financial deals were heating up. We were constantly talking about the deals of the past few years, such as Hotmail, which had sold for $400 million.

"That's a lot of money, Marc. Don't you think that's a lot of money?" asked Frank Dominguez, one of the salesforce.com developers and cofounders, referring to the Hotmail deal.

"No, I would never sell for that. They left a lot of money on the table," I replied. Frank couldn't believe that I could think so big when we were still so small. Although the other founders were initially leery about our move to the Rincon Center, they quickly grew to like the new larger space. They drove golf balls down the length of the office and flew remote-control helium blimps. 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 desks (we bought sawhorses and doors at Home Depot), and employees received their computers in boxes and put them together themselves. It was an archetypal 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. As I had promised Parker, about 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 the 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.

About the Authors

Marc Benioff is chairman and CEO of salesforce.com (NYSE: CRM), which he founded in 1999. Under Benioff's direction, salesforce.com has grown from a groundbreaking idea to the leader in enterprise cloud computing.

For its revolutionary approach, salesforce.com has received a *Wall Street Journal* Technology Innovation Award, been lauded as one of *BusinessWeek*'s Top 100 Most Innovative Companies, named No. 7 on The Wired 40, and selected in 2007 and 2008 as a Top Ten Disrupter by *Forbes.* Benioff has been widely recognized for pioneering innovation with honors such as the 2007 Ernst & Young Entrepreneur of the Year and the SDForum Visionary Award, and has been ranked on the Top 100 Most Influential People in IT survey by *eWeek* and the Top 10 Greatest IT Chief Executives by VNU. He was appointed by President George W. Bush as the co-chairman of the President's Information Technology Advisory Committee and served from 2003–2005, overseeing the publishing of critical reports on health care information technology, cybersecurity, and computational sciences.

In 2000, Benioff launched the Salesforce.com Foundation—now a multimillion-dollar global organization—establishing the "1-1-1 model," whereby the company contributes one percent of profits, one percent of equity, and one percent of employee hours back to the communities it serves. The World Economic Forum named Benioff as one of its Young Global Leaders, and in 2007 the Committee Encouraging Corporate Philanthropy presented Benioff with the coveted Excellence in Corporate Philanthropy Award. Salesforce.com has been voted one of the world's most ethical companies by *Business Ethics Magazine,* one of the best companies to work for by *Fortune*, and in 2008, Benioff was awarded CEO of the Year Award by *CRO Magazine*.

Benioff is also the author of *The Business of Changing the World* and *Compassionate Capitalism*.

Prior to launching salesforce.com, Benioff spent thirteen years at Oracle Corporation. He founded his first company, Liberty Software, when he was fifteen years old. He lives in San Francisco, California.

Carlye Adler is an award-winning journalist whose articles have appeared in *BusinessWeek, Condé Nast Portfolio, Fast Company, Fortune, Time, Wired*, and many other publications. She co-wrote, with salesforce.com chairman and CEO Marc Benioff, *The Business of Changing the World: Twenty Great Leaders on Strategic Corporate Philanthropy*. She has been twice named one of the most influential business journalists under the age of 30 by The Journalist & Financial Reporting (TJFR) Group. Her story on the hefty price of investing in a Krispy Kreme franchise was selected for inclusion in *The Best Business Stories of the Year, 2003 Edition*. She lives in New York City.

270