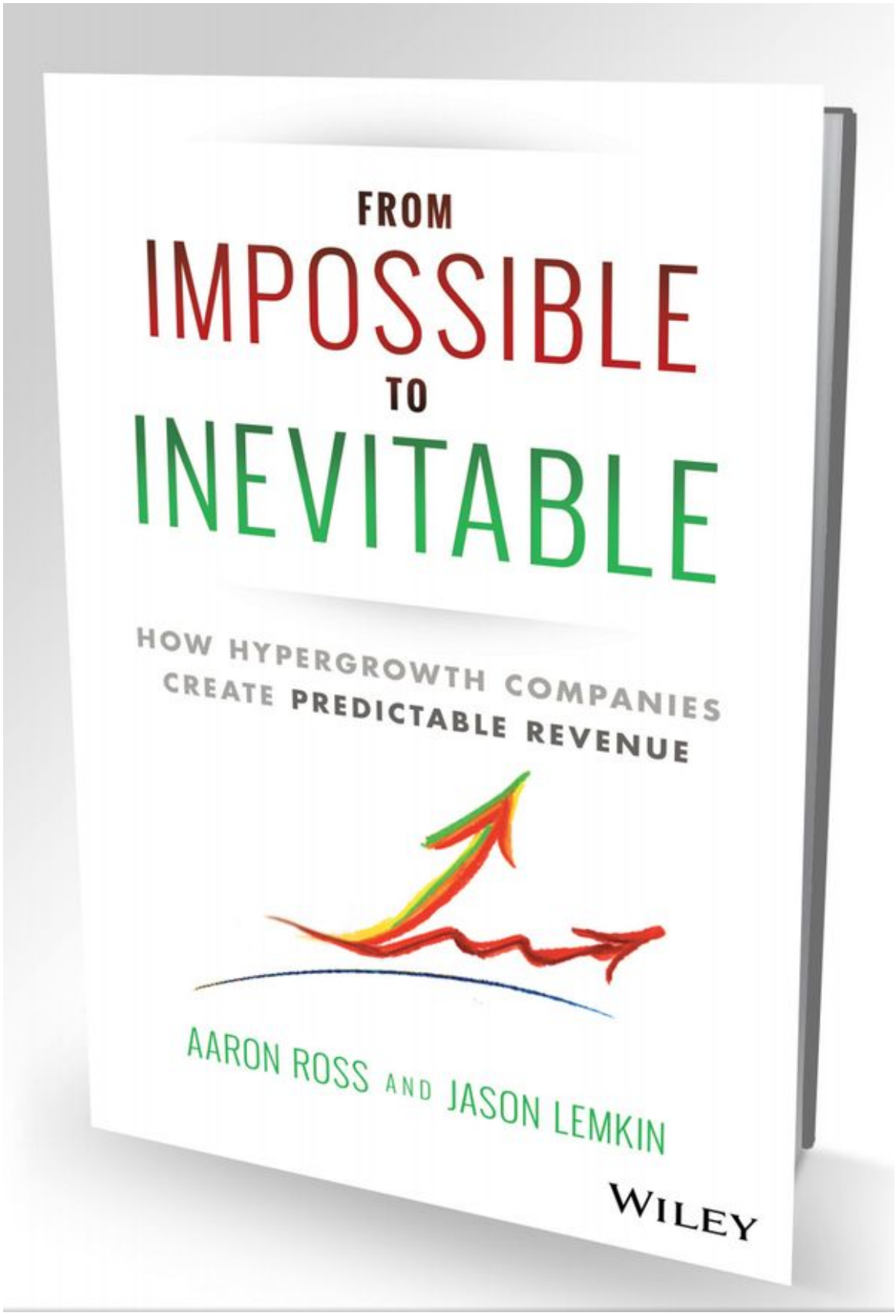
Click here for the full book .



Click here for the full book.

Preface: Systematizing Success

There's never been an easier time to grow a business. Ironically though, while everyone else around you seems to be crushing their goals, it's still a struggle for you.

If you needed to triple your revenue in the next year or three, would you know exactly how you would do it?

Tripling isn't magic. It's not about the school you went to, luck, or working harder. There's a template the world's fastest growing companies follow to achieve and sustain hypergrowth.

Whether you want to add a $1M or $100M, the fundamentals are the same. You can grow your business 2-10x faster in honorable, honest ways that feel good to you, your employees and your customers.

This book shows you how to break growth plateaus and get off the up-and-down revenue rollercoaster, showing you how to answer:

1. "Why aren't you growing faster?"
2. "What does it take to get to hyper-growth?"
3. "How do you sustain it?

Lessons from the world's fastest growing companies

The Internet's filled with advice on how to grow your company. Some great, some harmful, mostly outdated or just 'nice to have'. How do you sort through the clutter to figure out the few, big things that will change and sustain your growth rate?

Whatever your business is, rather than a 2% or 20% increase in sales, we want you to find ways to get a 200%-1000% increase in growth by learning from companies like:

- **Zenefits**, growing from $1M to $100M in revenue in two years.
- **Salesforce.com,** the multi-billion, fastest-growing big software company.
- **Echosign (now Adobe Document Services)** growing from $0 to $144M in seven years.
- **HubSpot**, growing past $100M in revenue, and valued at more than a billion dollars.
- **Acquia** - named a #1 fastest growing private software company in 2013 - made breaking $100M in total revenue a "when, not if" challenge.
- **Avanoo,** growing from $1300 to $5M in about a year, especially impressive in the uber-crowded corporate training space.

Now if you're like us, you want to know **how the heck did they do that?**

It wasn't from posting a viral video, or anything else that'd make you say "oh they got lucky." There are repeatable lessons any company can learn from.

Success can be a system, not random. Revenue and growth can be (mostly) predictable. And has to be, to take *impossible goals* and turn them into *inevitable success* for your business and team**.** Successes far bigger than you can imagine from where you're sitting today.

The 7 ingredients of hyper-growth:

1) *You're not ready to grow*…until you **Nail A Niche**.

2) *"Build it and they'll come" is a fairy tale.* You're not going to be magically discovered, so you need sustainable systems that **Create Predictable Pipeline**.

3) *Growth exposes your weaknesses*...and will cause more problems than it solves until you **Make Sales Scalable**.

4) *It's hard to build a big business out of small deals*…so figure out how to **Double Your Dealsize**.

5) *It'll take years longer than you want*… don't quit too soon or let a Year Of Hell discourage you. You can **Do The Time**.

6) *Your people are renting, not owning their jobs.* Beyond delegation, **Embrace Employee Ownership** to develop a culture of taking initiative beyond a job description.

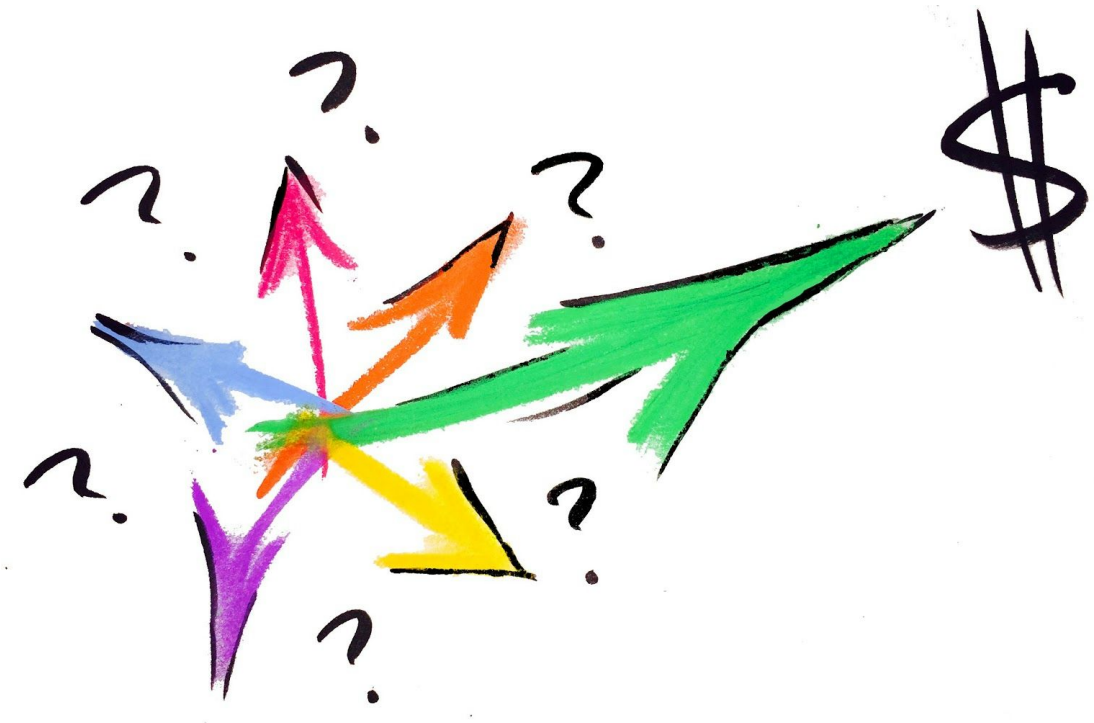
7) *Dear Employees: you are too accepting of "reality," and give up too easily*. You can **Define Your Destiny** to make a difference, for yourself and your company, no matter what you do or where you work.

Kick off your biggest growth spurt yet,

Aaron Ross (@motoceo) & Jason Lemkin (@jasonlk)

PART 1: NAIL A NICHE

Painful Truth: You're Not Ready To Grow.



"NICHE" DOESN'T MEAN SMALL

How do you know if you're ready to grow, or not? Don't let a big vision, or wanting to serve too many kinds of customers, trap you into sounding vague or confusing.

HOW TO KNOW IF YOU'VE NAILED A NICHE

When you're a startup getting to your first million, or launching a new product, lead generation program, or market – one of the indicators that you've nailed it is that you are able to find and sign up unaffiliated customers. Unaffiliated. Paying. Customers.

We don't mean friends of your investors, or your old co-workers or boss. They aren't past customers, partners, or part of your LinkedIn network. They weren't referred to you; they didn't hear about you from a group. They started out "cold" without the advantage of prior relationships.

Whether they found you by coming in through the ether, or whether you went out and pounded the pavement (or phone, or email, or…) and sourced and closed them. And now they're paying you – profitably.

Because here's the thing. Ten customers may not seem like much. We called these guys "beer money" in the early days at EchoSign. Ten customers was $200 a month. Didn't really pay the bills on four engineers and three other guys. Barely paid for beer. But …

Ten is actually amazing. Yes, you may still fail, of course, because of cashflow issues. But 10 is your first sign of pre-success – even though it's *very* likely that at least one will turn out to be a dud, while you're learning which customers you can make successful, or not, in a contract. Because it means three things:

First, you can definitely get 20 … and then 100. I mean if you can get 10 *unaffiliated* customers to *pay* you (no small feat), I guarantee you can get 20. And if you keep going at it, you will get at least to 100. And then 200, at least. At a minimum, you can keep doubling and doubling. I'm not saying it's easy, but it's possible.

Second, more importantly, it's amazing you got those 10. 10 is not a small number! Because why the heck should they trust you, and pay for your product? *It stands on its own without you needing a prior relationship*. It's a huge vote of confidence. Maybe you were on TechCrunch, Reddit, Bob's Insurance Newsletter, or some blog – great. But in the real world, with Mainstream Buyers, no one has ever heard of you. You're not "the thing" all their friends are buying, making them feel that without it they're being left behind.

Third, it means you built something real. Something valued. Most importantly, something you can build on. These 10 customers will give you a roadmap, feedback, and indeed, the path to 1,000 more customers — if you listen carefully. You won't heed all their advice, of course, but the feedback from these first 10 customers won't be from outliers. It will be transformational. I guarantee it.
Because your 1,000th customer most likely will be just like your 10th, in concept and spirit, in category and core problem solved, in pain point at least.

At EchoSign, the first unaffiliated customer was a distributed sales manager of a telesales team. The exact industry she was in was unusual (debt consolidation), but digging deeper, the actual use case was exactly the same, in spirit if not in workflow, as 80%+ of the customers that came later. The same as Facebook, as Twitter, as Groupon, as Google, as Verizon, as BT, as Oracle … The same as all of them.

The same core "goodness" that you've built attracts all of them. Of course, you're going to need to build tons more features, mature your product dramatically, etc. But the core will be the same goodness as Customers 1-10 experienced.

Trust us. 10 customers may not pay the bills. But if you got them from scratch, you have the very

start of organic lead-flow or of some leadgen process you can replicate. That's really special. And something you can actually build on.

So this is your first time to double down now, after Customer 10 … even if it seems way, way smaller than your goals and vision. Forget 1,000: double them to 20, then to 40, and so on. Compound that 10 month after month, year after year, get the flywheel cranking, and you'll make your big vision inevitable.

ACHIEVE WORLD DOMINATION ONE NICHE AT A TIME

Let's address a concern right now. When you nail a niche, you're *not* "thinking small". You're not limiting your dream. You're not permanently shrinking your addressable market.

Niche here means *focused.* On a *specific* target customer with a *specific* pain. Regardless of how many types of customers you *could* help, or how many of their problems you *could* solve. Don't let your exciting vision or Big Hairy Audacious Goal get in the way of taking the daily baby steps needed to get customers today.

Hyper-growth doesn't come from selling many things to many markets, covering all your bases (really, dividing your energies). Hyper-growth comes from focusing on where you have the best chances of winning customers, making them successful, and building a reputation of tangible results. And then building from there. For example:

- Salesforce.com started with Sales Force Automation
- Zenefits started with Californian technology companies of 100 to 300 employees
- Facebook began with Ivy League schools
- PayPal took off with Ebay users
- Amazon started with books
- Zappos with shoes

Where's the easiest place for you to build momentum *now*? What's the single path of least resistance to money for you? Focusing on specific industries or types of customers – like banks, software companies or large businesses – is part, but not all of it. It also means focusing your *unique* strengths (not *all* your strengths) where they can create the most value (not any value), and:

- Solve a specific *pain* for
- An *ideal* target customer in
- A *believable, repeatable* way,
- With predictable methods to *find* and *interest* them in the first place.

Any kind of specialization that helps you to break through the clutter, stand out, be the best, win, or be unique is valuable.

For example: if you're a company that creates customized solutions for every client, and you need to recreate the wheel from scratch each time, you're going to struggle with a double whammy. First, it'll be harder to market yourself, because really – what problem do you solve? Second, unless you have some kind of repeatable solution, framework or system – growth is going to be *hard*. You have to be one stubborn S.O.B. to grow that kind of company. Or lucky – but luck doesn't create sustained success.

If you focus on solving a single problem really, really well, and can adapt as the market evolves, the sky's your limit.

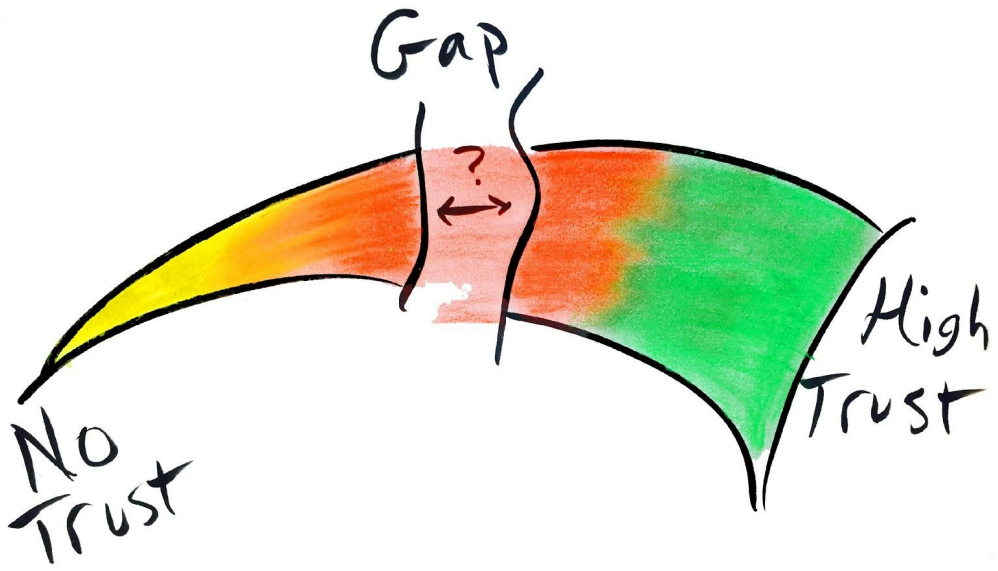
CASE STUDY: HOW AVANOO NAILED THEIR NICHE

THE ARC OF ATTENTION

Why is there a niche problem in the first place? It has to do with how people's brains and attention spans work. The *Arc of Attention* and *Trust Gap* ideas are vital to understanding why there's a problem, and what to do about it.

When you start a business, most people begin with Early Adopters, as they should. These include networks, friends, friends-of-friends and people who instinctively "get it". Then, once you hit $1-$10 million in revenue, you usually hit the wall as word-of-mouth and referrals start to plateau. Or, as a large company, when your new leadgen program, product launch, or market struggles. At some point you will run out of Early Adopters, and will hit a wall until you figure out how to click with Mainstream Buyers, who don't already know you and don't intuitively "get it" like Early Adopters.

There's a painful difference to evolve from selling to Early Adopters who trust you, to Mainstream Buyers who don't. Geoff Moore called this Crossing The Chasm. We call it bridging a Trust Gap. Whatever it's called, when you understand why this gap exists in the first place, you'll better know how to cross it.



The Right Side – High Trust
On the right side of the spectrum are "Mom/Dad /Best Friends" – the people who know and trust us (or your company/brand), and are therefore willing to give you a big slice of attention just because you asked for it. If you call up a best friend and ask them to meet with you for two hours to review a demo, product, blog post or talk, they will – even if it makes zero sense to them.

This side of the arc also includes the few people who somehow run across your product, as crappy or obtuse as your website is – and just "get it". You don't need to explain anything to them, because intuitively they know what you can do, why it matters and how to use you service. All of these Early Adopters are willing to invest a lot more mental energy to figure out what you're doing and how they can benefit. They give you a *lot* of leeway – which is invaluable in getting a new company, product or leadgen program off the ground.

But it becomes a liability – and often a rude awakening – when you start expecting everyone to give you that same leeway.

The Left Side – No Trust
On the opposite end, there are the people who have never heard of you or your company. When people don't know you, they'll only give you a tiny sliver of their attention to figure you out. If they don't click with you within that window, they move on.

The more connection you have with them right away, the more leeway they'll give you. The less you have, the faster you lose them. Some sample (non-scientific) windows:

- A cold email or online ad: a 0.3 to 3-second window before they engage or move on.
- A cold call: a 3- to 30-second window.
- Walking door-to-door: a 3- to 60-second window.

Compare these to:

- A referral: 15 minutes - 1 hour
- A best friend or parent: Unlimited

This is the Trust Gap: The difference between marketing to people who already know us or our brand, and people who don't, and aren't willing to invest anything to figure us out. And the difference between being able to market to Early Adopters (15% of the market) versus Mainstream Buyers (85% of the market). It affects everything related to how you market and sell.

This difference between Early Adopters and Mainstream Buyers can be *huge* and easily underestimated. You may expect jumping the gap to be doable, like crossing a river from one side to the other. But it's more likely to be the Grand Canyon. Or if you're totally dependent on relationships, it's an Earth-to-Moon sized gap.

The whole point of Nailing A Niche is to help you cross the Trust Gap, moving from depending on buyers on the right side (Trust) to being able to better market and sell to buyers on left side (No Trust).

You have to either (a) find a way to fit your message into that slice of attention, or (b) expand the amount of attention they're willing to give you. Everything we're doing in the Niche part of the book is to help you cross this Trust Gap.

Assume You're Marketing To 4th Graders

With those tiny slices of attention that "cold" people are willing to give you, it's similar to the mental investment of a 3rd or 4th grader. So your message has to be simple for them to both *understand* and easily *act* on, or else they'll move on before ever giving it a chance.

This is why "short and sweet" emails and videos tend to work better than long emails and videos as first touches with new people. People see a long email or video from someone they don't know, and they just aren't willing to invest in consuming it.

Perhaps if you're a genius copywriter you can make them work, but for us regular people, shorter is better – at least for first contact. The more your messages are *simple to understand and easy to answer,* so that they'll fit into your prospects' window of attention, the more effective they'll be.

You can watch this in yourself: what goes through your head when you get a long note from someone, even someone you know? What about a short one? Do you see how the effort you're willing to give that messages changes so dramatically depending on who it comes from, how simple it is, and what they are asking for? It's also why appealing to their Dinosaur Brains – rather than the purely logical brain – works.

Learn How To Speak To Their Dinosaur Brain

Reptiles think with their eyes, not their brains – and so do we! Dinosaur-brain thinking (the same thing, but dinosaurs are cooler than reptiles) isn't about thinking consciously and making logical decisions – it's about reacting. There are different reasons something appeals to us at the dinosaur brain level, before our conscious minds have time to process it, such as:

- Newness
- Contrast ("There's a bucket of blue pens + one orange pen on the top.")
- Movement/speed
- Surprises
- Details
- Visuals

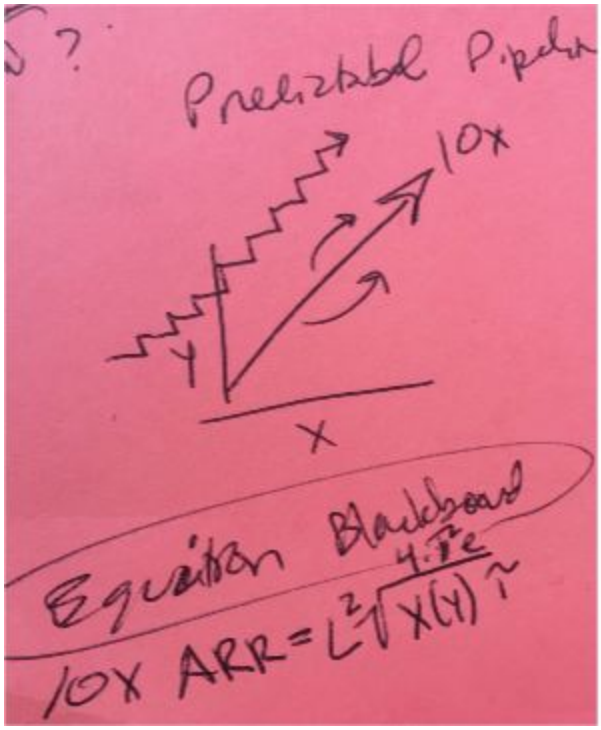
This is why you'll see banner ads with a color different than the page background, with moving pictures (visual + contrast + movement). Or why video-sharing sites have so many videos titled like "He Hated His Boss For Two Years Until This Happened" with a picture (visual + anticipated surprise + detail). And it works, at least until you learn from watching several that the

videos are rarely as interesting as the titles, and you start ignoring them. So be intriguing and attractive, without overpromising. At least not too often.

Learning how to reframe your ideas to appeal to people's dinosaur brains makes sense when you consider the tiny window of attention you get. Even if it's frustratingly hard to do at first, or feels sales-y. You can't fight the Arc of Attention, even if you believe "My stuff is so amazing & necessary that it shouldn't need to be sold. Plus we're donating money to save trees, so there's no reason anyone wouldn't want to buy!"

PART 2: CREATE PREDICTABLE PIPELINE

Painful Truth: “Build it and they’ll come” is a fairy tale.



LEAD GENERATION ABSOLVES MANY SINS

You can have the most perfect product, investors or sales process in the world, but without predictable ways to fill your pipeline, you’re going to struggle. Predictable lead generation is the lever to creating hyper-growth. And it’s more than throwing marketing campaigns online or on billboards, cold calling, or pumping out free stuff to give away. Many aspiring and first-time founders have this idea that “if we just create an amazing thing [app, video, ebook, blog post...], it’ll catch fire online and we’ll be inundated with people excited to follow us or buy it from us.”

This works just often enough to create the fairy tale for everyone else. Just like the lottery. Assuming you’re not a VC, how many people do you know that this has personally happened to? The Reality Distortion Field makes it seem more common than it is, because it’s the kind of story that gets published. Unlike the more common story of success, of working for years slowly building up an audience or business, baby step by baby step.

The “overnight success 10 years in the making.” So go for a breakthrough, but don’t bet your company on the fairy tale. Because it’s 99% more likely that, whatever you launch, people won’t even know or care. And you’ll have to work your ass off to first get them to come, and then to help the right people buy. Yes, you do need a great product or service and some happy customers, but that’s not enough. Can you drive pipeline and leads predictably – whether from new prospects or current customers/users?

Lead generation is your gasoline for growth. Yes - you do need a great product or service and (some) happy customers, but that’s not enough. That won’t sustain growth if you can’t proactively drive new leads that can turn into customers.

3 Types of Leads

1) “Seeds” are many-to-many leads, created from word-of-mouth, networks and relationships. Usually grown through creating happy customers who refer others, and who remain as customers for years. Salesforce.com, Google, Facebook and Slack have all ignited hyper-growth through Seeds.

The best way to methodically grow your seeds is with a repeatable program or systems that ensure your customers are successful. This field is now commonly called Customer Success Management. It means systematically reducing customer churn, increasing upsells, increasing referrals, and helping capture more and better case studies and testimonials. But this is really important: ***Customer Success is not about increasing customer satisfaction, but creating revenue growth***.

2) “Nets” are one-to-many marketing campaigns,including the now-popular approaches of content and inbound marketing.

3) “Spears” are targeted outbound prospecting or business development campaigns.Usually a human is involved, working through a targeted list, calling, emailing or using any other technique that helps them make contact and get appointments.

Too many companies obsess over a single form of lead generation and ignore the others. To build a house you need multiple tools: a hammer, a saw and a screwdriver. Likewise, Seeds, Nets and Spears are complementary. Know why, how and when to use each tool. The three lead types – Seeds, Nets and Spears – have different funnels, conversion rates, expectations, sales cycles, average deal sizes, ideal target customers and methods of increasing them. The important thing is to know which type(s) will work best for your business, and in what mix or balance.

ARE YOU A NICE-TO-HAVE?

Do you believe your intended buyers *need* what you're offering? Or are you a nice-to-have? One clear sign that you're a nice-to-have: everyone you show it to says "cool!" but no one buys. Consumers don't buy what they need; they buy what they want. How much do consumers spend on Porches and ice cream compared to broccoli and psychotherapy? But businesses don't buy "nice-to-haves." For example:

- Marketers *want* a beautiful website – but they *need* a website that converts visitors to outcomes such as leads or purchases.
- CEOs *want* "happy employees" – but they *need* people to show up and do their jobs, for products to be released on time, or cash-flow improved.
- A VP Sales *wants* "increased sales productivity" – but they *need* and buy what contributes to it, like leads, accurate reporting tools, and training.
- Venture capitalists *want* to invest in honorable founders – but they *need* to generate above-average returns, which may or may not come from companies with honorable founders.

It takes a lot of energy to buy *and use* something new, so if you're a nice-to-have, it won't stick. Nice-to-haves fall to the bottom of the "must do" list. If the buyer doesn't *need* your solution, they won't be motivated to go through all the work to convince their people, justify the purchase, roll it out and get people to use it. So:

- What's painful enough that a team will spend both money and time to fix it?
- How can you describe what you do differently, so prospects also see it that way?
- What differentiates the customers who need you vs. the ones who don't?
- Where can you create the most financial value?
- Where can you get permission to create case studies or get references?
- How can you "sell money"?

"Sell Money" means proving to customers that your product will help them make more money, spend less of it, reduce the risk of losing it, or stay compliant (avoiding fines and legal risk). Demonstrate how spending money with you will make them more money. If you say you'll "increase revenue" or "decrease costs", you sound just like everyone else. What's equivalent to money in their mind – leads? Close rates? Social activity? Collections?

Employee engagement or fulfillment? As much as we love and know engaged employees and fulfillment are vital, how do you prove *to* customers that you can help them make money with them? How can you make the case they are *needed*?

CASE STUDY: WHAT ACME LEARNED FROM FAILING AT OUTBOUND LEAD GENERATION

YOUR CURRENT STRENGTH CAN BE A FUTURE WEAKNESS

Services businesses (especially custom development shops, consultants, design agencies or anyone who does a lot of custom work), and "utility player" employees who are great at everything, have a special struggle with nailing this. Being great at many things so far has been your strength, because you could take on any challenge and deliver results. But your strength has now become your weakness.

Because the Fear Of Missing Out holds you back from picking *One Thing* to specialize in and be the best at. "What do I pick? I can be world class at x, y, z…" (And that One Thing has to be specific – not "We're the best in the world at custom software development." Vague.)

"But if I'm going to be the best in the world at training public speakers, then I'm going to miss out on being the world-class artist I want to be. Or we'll miss out on the financial services market. Or this mobile app we could do, or..."

If your One Thing struggles, learn and pivot, until you learn how/where to win. Let go of knowing what *the* answer is ahead of time – just get to the next step. And re-evaluate. And repeat. Guaranteed, though – if you're spreading yourself across multiple things, you're just deluding yourself. The problem is a mindset shift in services. When you decide to go for growth, you need to switch your whole sales attitude 180 degrees:

From: *"What's your problem? We can solve it. Whatever your problems are, we have many capabilities. There's something we can do for you if we look hard enough."* You end up solving different problems in different ways, making it virtually impossible to scale.

To: *"Here's the problem we are the best at solving…with our repeatable solution we have delivered 1,000 times. Do you have it? No, you don't have it? Do you know anyone else who might be interested?"*

Be Specific
The more targeted you are, the easier for people to "click" with what you do, and immediately tell if (a) you're relevant or (b) someone they know is relevant:

Special Orange Unicorn Pens
Let's talk pens. Orange ones. Imagine you manufacture pens of all colors, customized to what a customer wants. And you decide to specialize on a growth opportunity. "We're going to stop selling all colors of pens, including 'design your own color', because the market's full of pen makers. We're picking one thing to be the best at, to be known for.

We are only gonna sell orange pens, special ones that draw unicorns. And we're only selling them to those companies who need orange unicorns drawn on their sales proposals in order to close big deals. Because we've seen that's where the growth is going to be, and we can be the best in taking advantage of it."

It's easy to feel the loss of all those customers you can't sell to anymore. It's harder – until you see it working - to feel the success of focusing just on selling special orange unicorn pens.
Be willing to lose the people who want all colors of pens, because ultimately you'll sell more pens, at higher prices, to the right people – the ones who value those special orange ones.

5 ASPECTS OF YOUR NICHE

1.) Popular Pain: So what if you do custom application development, analytics, mobile-enablement or sales training? Those aren't pains; they are solutions. What main pain do you solve? Missed product launch deadlines, inaccurate forecasts, high customer attrition, lead generation struggles, low conversion rates from demo to proposal?

Those are pains. And the pain has to be common enough: You want to specialize in a specific pain you solve, but not get so narrow that you can't find anyone that has it. Within the niche you're targeting, what pain can you solve that's common enough to allow you a fair shot of finding customers? You know that a pain is common when you see that people are willing to pay money to solve it, repeatedly.

2.) Tangible Results: Where can you show concrete or detailed results? How can you answer the question "What do I get?" Example: "Peace of mind or a better night's sleep" How do you make that tangible? "Grow leads 217%" or "Shorten month-end closing to 12 hours" are much more concrete. If you struggle with hard numbers, you can use visual examples or detailed customer stories and testimonials.

3.) Believable Solution: It's easy to make claims of "more revenue, lower costs, blah blah." Buyers hear this every day. Why should they believe you and your claims? There's two sides to this: (a) They have to believe you can deliver, and (b) they have to believe it'll work for them, including their own ability and capacity to do it. Detailed case studies of similar companies are

powerful – they make your solution highly credible. Honesty, expertise, confidence, simplicity, authenticity – from both the person and business they work for – all help.

4.) Identifiable Targets: If you can't build a list of prospects or channel partners or marketing options to get access to them, you can't very well go after them! How would you build a list of "technology CEOs suffering from severe depressive episodes at least once per quarter" or "companies that need to change the software they're running their website on"?

5.) Unique Genius: To find or be found, to close deals, to avoid commoditization – you must be different or unique. Every business (and individual) has unique strengths, weakness and superpowers – whether or not they realize it. A talent for making money, focusing, creative writing, art, service, engineering, relationships, innovation, a passionate community, celebrity employees, an interesting personal story or history…

Sometimes it's clear, like the customer service and culture of Zappos. Sometimes it's hard to put your finger on, or it needs developing. But it's always there. What makes you stand out? What are your special advantages? If you can come up with nothing else, you have the personal stories of the founders and employees. Personal stories – like "I struggled, I wanted to help others avoid the same struggle so I did x, y, z" – can themselves be very compelling.

ELEVATOR PITCHES ARE ALWAYS FRUSTRATING

With an elevator pitch, you're not trying to *sell* people on buying something or get them incredibly excited and jump up and down. You're only giving them a quick sense of whether they want to find out more or not.

Most people doing this with a pitch that's too long and too much about them: *We're the leading scalable networked social media platform innovator…blah blah blah.* A tight elevator pitch can tell someone quickly whether they are a prospect or not. You're not trying to engage everyone, just the people to whom you're relevant. So:

- Avoid jargon.
- Keep it simple.
- Simple is better than accurate.
- It's always frustrating: you'll never be 100% satisfied, so stick to "good enough."

No doubt you can find a million formats and templates for elevator pitches on the Internet. Here's one sample format that's worked for us: Start by saying, "You know how some people have [problem]? Well, we [solution and/or benefit]. For example, [one sentence case study]."

"You know how some retail chains struggle getting mobile users to redeem coupons? We have a way to increase redemption rates by 50%. For example, Bob's Tacos saw redemptions double in 30 days."

PART 3: MAKE SALES SCALABLE

Painful truth: *Growth exposes your weaknesses*.

JASON'S TOP 12 MISTAKES IN BUILDING SALES TEAMS

I made all these mistakes at EchoSign, and I've seen founders at growing companies make them again, and again, and again. So here's my Top 12 list:

#1. You hire a sales rep to sell before you can prove you can do it yourself.You have to prove it's sellable first. And the CEO/founders need to do the initial sales themselves, so that they understand how to make sales work. You can't outsource this.

#2. You hire a VP of Sales to sell before you prove you can do it yourself.You gotta prove the process is at least just barely repeatable before you hire someone to turn up the volume and spin the wheel faster. You gotta build two reps that can hit quota before you hire a real VP of Sales.

#3. Any of your first 2-3 sales reps are folks you personally wouldn't buy from. Because then you'll never trust them with your precious handful of leads, and they will fail. No matter how well they did in the last start-up.

#4. You insist reps #4-400 are folks you personally would buy from. It takes a village.

#5. You underpay. The best salespeople want to make money. If you pay under-market, you get bottom of the barrel.Huge rookie error.

#6 — Not (intentionally) going upmarket faster to Double Your Deal Size. Nothing is an 4 anomaly: If you can get 1 enterprise customer — you can get 10. If you have 1 customer in an industry — you can get 10. The outliers aren'' t anomalies. They are The Future. Corollary: Target bigger deals as soon as you can. Same work, more $$$.

#7 — Not firing a bad VPS in one sales cycle You should know subjectively in just a few months — just 50% of the way through your average sales cycle Numbers should increase in one sales cycle — with a keen focus on Revenue Per Lead First few hires should be clear upgrades — and should be made quickly and seemingly effortlessly

#8. You ask your VP of Sales to carry a bag for too long. Her job is to recruit a great deal and hit the overall plan. Not to sell herself, not mostly. Have her own the whole number, the ARR plan. Not an individual quota, not for very long at least.

#9. You hire someone who last sold Nu Skin. This can work later, but not in your first reps.They need to understand how to sell vaguely similar products at vaguely similar price points.

#10. You hire because she worked at Salesforce/Box/DropBox/ABC Famous Company.Don'' t hire them because they worked at a well-known or hot company.Hire them because they can close. And have closed at least vaguely similar products at somewhat similar price points. Not because they are one of 4,000 reps that sell a product at Salesforce.com, which has $7,000,000,000+ in revenues, a proven brand, and huge infrastructure behind it.

#11. You allow any great reps to leave. You should strive for 0% voluntary attrition,not to fire the bottom one-third. That'' s for boiler rooms. Great sales teams stick together. Great sales teams inspire each other. Great sales teams attract higher and higher quality reps as time goes on.

#12. Not doubling the plan. ☺ Once the team was (finally) Great — we exceeded the plan. Every quarter, every year. Always. But..... I should have challenged us to do Even Better. I should have pushed harder the same way Parker at Zenefits pushed Sam to answer the question, ""What would it take to do $20M instead this year instead of $10M?""

CASE STUDY: ADVICE FROM THE VP SALES BEHIND LINKEDIN AND ECHOSIGN

WHY SALESPEOPLE SHOULDN'T PROSPECT

If you haven't specialized your sales team roles yet, nothing will make a bigger impact in your team and ability to grow than biting the bullet and doing it. Specializing sales roles is a cornerstone of Predictable Revenue. Without specializing, your team will struggle. Prospectors need to prospect. And, yes, your closers should prospect — we will never tell you that anyone on

your team should wait around for business to come to them - but only to a handful of strategic accounts or partners. While every team is different and creates different flavors, start with the template of four categories of roles that fit most (but of course, not all) companies:

1.Inbound lead qualification
2.Outbound prospecting
3.Closing new business
4.Post-sales roles, such as account management, professional services, and customer success.

When not to specialize, or do it very differently.....because exceptions exist for every rule: You have a very simple sales process, like a one- or two-call-close product. You're in a business or segment currently succeeding with generalized salespeople (like financial services advisors).

CASE STUDY: HOW CLIO RESTRUCTURED THEIR SALES TEAM IN 3 MONTHS

SPECIALIZATION: TWO COMMON OBJECTIONS

Two common objections to specializing sales role

First: It'll Hurt Customer Relationships
"Doesn't passing off a prospect or customer from one person to another create problems? Shouldn't the same person be building a relationship from Day One with a customer, then owning and maintaining it?"

No — not if you have a pre-defined process to hand off customers thoughtfully, and you set their expectations appropriately. In fact, prospects and customers get better service this way. With specialists at each step, prospects are always getting fast responses appropriate to what they need.

It's hard for a salesperson who's working on proposals, or traveling, to drop everything and get back right away to a new inbound lead, an urgent problem at a current customer, or to focus on much of anything important that'' s not getting them to their quota this period. So by specializing — in a way that makes sense for your business — you're doing customers a favor, too.

Second: "Those Four Roles Don't Fit Us"
The core roles discussed are not absolute requirements — but a starting template for you to adapt. Almost every b2b company should have at least three of those four roles, but there are exceptions, as we listed out earlier. Implement the principle behind specialization —focus— in your own way. Give people fewer, more important things that they can do better. Also - the principle works in any team — marketing, customer support, partners, etc.

4 Important Reasons To Just Do It

We realize some of you still need help convincing your team to go all-in with specialization. It can be daunting to take a sales team that has been closing and managing their own accounts, and then ask them to change.....everything. Here are the four essential reasons for doing it:

1. Effectiveness: When people are focused on one area, they become experts. For example, in 10 years, we've never met a team of generalized salespeople that didn't struggle with generating or responding to leads.

2. Farm team/talent:Having multiple roles in sales gives you a simple career path to hire, train, grow and promote people internally. This creates a much cheaper, less risky, and more effective way to recruit, rather than relying too heavily on outside hires. (A rule of thumb: Over the long term, grow 2/3 of your people internally and hire 1/3 externally for new ideas and blood.)

3. Insights: By breaking your roles into separate functions, you can easily identify and fix your bottlenecks. When everyone is doing everything, it'' s like having a tangled ball of yarn you can't tease apart.

4. Scalability: Specialization makes it easier to hire, train, measure, grow and promote people across the board

CASE STUDY: ACQUIA ON THE $100M REVENUE TRAJECTORY

THE #1 MIS-HIRE IS THE VP/HEAD OF SALES

Early stage companies are painfully "misfiring by mis-hiring" the most important role on the sales team. In fact, there's a venture capitalist saying I hate that goes something like "You've Got to Get Past Your First VP of Sales' Carcass" or "The Second VP of Sales Is When You Really Start Selling" or variants thereof.

In start-ups – especially Software-As-A-Service (SaaS)/ tech, the majority of first VP Sales fail. They don't even make it 12 months (we've heard that the average tenure for VP Sales of early companies in the valley averages 18 months – and that includes the winners – ouch!).

Let's look at what those Sales VPs should do since most founder/ CEOs are looking for the wrong things – especially first time founders, or founders who haven't spent much time in or with sales.

Top 5 Things a Great VP of Sales Does At An Early, Growing Company (In Order Of Priority)

#1) Recruiting
You hire a VP Sales not to sell, but to recruit, train and coach other people to sell. So recruiting is 20% + of their time, because you're going to need a team to sell. And recruiting great reps and making them successful is the #1 most important thing your VP Sales will do. And great VPs of Sales know this.

#2) Backfilling and Helping His/ Her Sales Team
Helping coach reps to close deals (not doing it for them). Getting hands-on when needed, or in big deals. Spotting issues before they blow up. Seeing opportunities ahead of the horizon.

#3) Sales Tactics
Training, onboarding. Territories (you need them). Quotas, comp. How to compete. Pitch scripts. Coordinating FUD and anti-FUD. Segmenting customers. Reports. Ensuring they and the team can get what they need from the sales / CRM system. Etc.

#4) Sales Strategy
What markets should we expand into? What's our main bottleneck? Where should our time & money go? What few key metrics tell us the most about the health of our team & growth?

#5) Creating and Selling Deals Him/Herself
This is last of the Top 5. Important, yes for select deals. But last on the list because if your VP Sales (or CEO, for that matter) is doing the closing rather than their team – you're bottlenecked. No scaling for you, sir.

SO: don't hire a VP Sales until you are ready to scale and build and fund a small, growing sales team. And any VP of Sales that doesn't see this themselves — probably isn't a great long-term Sales VP for you. Instead, he/she is either just a great individual contributor, a great builder … or a simply a flawed or desperate candidate. One challenge in hiring salespeople is that they're often extra good at "selling" themselves too…whether or not they're actually a good fit!

CASE STUDY: A RECRUITING PROCESS TO HIRE SALES STARS & SPEED UP RESULTS

FIVE KEY SALES METRICS (WITH A TWIST)

1.) Number of Open Opportunities in total and per rep: Measure the total number of open opportunities each rep is working at any given time, and understand how many total new opportunities they should be getting per month — not too few, and not too many. What to do with it: Your reps should get a sufficient inflow of new opportunities to have a steady number to work in their pipeline:

(a) giving them enough opportunities to hit their number, but

(b) without overwhelming them so balls start dropping.

A common number for a SaaS rep doing low-five-figure deals to juggle is 25-30 opportunities. Yours may or may not be different. For yours, look to your own history. How many have your best reps juggled? Does it vary much by segment, type of customer or average deal size? When was it too many? This metric also gives you a sanity check if you need to grow your open opportunities a lot (by cranking up lead generation), or if your team is overwhelmed (and you need to hire more salespeople).

2) Number of Closed Opportunities in total and per rep: Measure total opportunities closed including both closed-won and closed-lost opportunities. What to do with it: Your reps should be closing a certain number of sales deals each month (whether won or lost). It'' s a form of "throughput". If they're not closing enough total opportunities, drill down: Are they light on deals? Not closing effectively? Is their pipeline full of "hope" that never goes anywhere? Are they not updating the sales system?

3) $ deal size: Measure the average value of your closed-won deals. What to do with it: Knowing this metric will make it easy for you to spot opportunities that fall outside the normal deal size (say 3x greater than average) and flag them for special attention. Also, if the trend shows an increase in smaller deals won, perhaps some reps are focusing on small fish. Or perhaps your reps are increasing discounts. If you see a new trend in average deal size, then you need to dig into your pipeline mix or discounting practices to understand why.

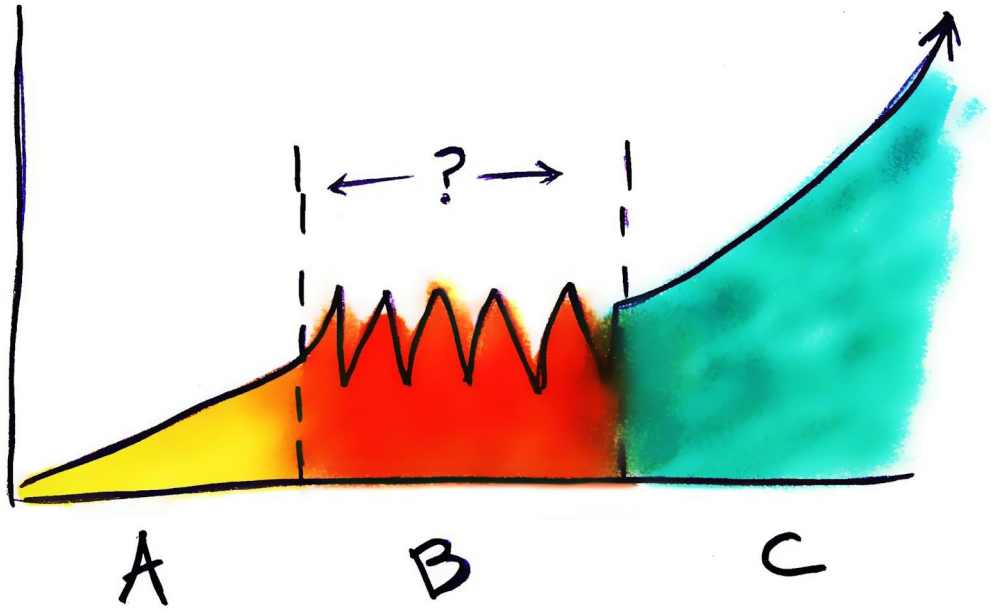
4) Win rate: Measure the number of closed opportunities, in a specific closing period, that you won (Closed Won Opportunities)/(Total Opportunities: both Closed-Won + Closed-Lost). This won't mean much unless you can watch it trend, or use it to A/B test reps with similar segments, or compare against companies similar to yours. What to do with it: "High" win rates aren't good; "low" ones aren't bad — either one gives you a chance to get smart about your sales system, to spot areas of success or problems. For example, if your win rate is high, maybe your pricing is too low! The simplest way to start increasing your team'' s win rate is to find the one or two most problematic steps in your process, and then look both "inside" (e.g., a better demo process) and "outside" the team (e.g. an easier free trial, or simpler pricing)...

It's common for sales teams beginning to scale up to see win rates drop. Is it because of the new people? Has lead quality or management quality changed? Or because of packaging, pricing or website changes? You need to drill down and see exactly where opportunities are falling off, in order to get to the root cause. Look at your sales funnel and understand conversions through every stage through to closed-won. If most reps are struggling in the same area, then don't blame them; it might be something outside their control. Nominate an investigator to find the truth of what's going on.

If specific individuals consistently have much higher or lower win rates, don't be too quick to jump to conclusions and criticize or compliment them. First look at their data first to find out why and learn from it. A sales rep with highest consistent win rate may be talented at sales — or talented at sandbagging/cherry picking. Don't assume — investigate. Look at win rates with other data to get the whole story.

PART 4: DO THE TIME

Painful truth: It's hard to build a big business out of small deals.



SMALL DEALS GET YOU STARTED, BIG DEALS DRIVE GROWTH

How is getting to $5 million in revenue easiest: selling a million orders at $5 each, or 100 at $50,000 each, or 10 at $500,000 each? You can make millions without needing millions of users In the Nail A Niche section, we mentioned Avanoo, the employee-training company, going from almost $0 in revenue to $5M in their first year of selling. They couldn't have done that – at least that fast - if they'd stuck to their first price, selling courses to consumers as "Name Your Price" for an average of $5 each.

But in selling $50,000 and larger deals now (and on track to sell 6- and 7- figure deals), they can grow revenue much, much faster. They're selling to companies that have the ability to pay (Fortune 2000), have a clear pain, and have reference-able customers. It's just a question of time before they increase the size of their big deals by 10x again. When you're attempting to grow by major leaps, work on doubling your average sale size as much as finding and closing twice as many deals. Or if you already have lead generation machine working smoothly, it's how you can quadruple growth – doubling deal sizes while doubling leads.

You can do it through a mix of targeted lead generation, changing pricing, designing higher-end packages, through premium products with enterprise features, carefully developed channel partners, or whatever. It doesn't happen overnight, but you can take concrete steps to get there. But start with the question, "What conditions would have to exist to close deals that are 10x larger than we are doing today?"

Many entrepreneurs, especially first-time founders, have expectations of what people will pay that are far too low. It's also easy for experienced executives to fall into a rut with a division or team, either through inertia or habits. Push yourself past those limits, to come up with ways to double or triple your revenue per customer by also asking:What would it take to grow our revenue by 10x? What would it take to grow our biggest sales size by 10x? How can we find and work with customers to whom our solution would be worth 10x the price we're currently charging?

What We Love and Hate About Small Deals

Whether it's software, products or services, when most people start a business, naturally we all want to get whatever customers we can. This usually means smaller deals, often from "free" to a few thousand dollars. "Small" is a great place to start because it's easier to get things going and adjust on the fly. Plus you can get valuable feedback, case studies and community effects from small customers.

Also, smaller businesses can be more disorganized or less sure about their planning. Often they're just trying to survive rather than grow, can't afford to pay much, can't pay cash up front, may buy impulsively, or lack the time, people or money to follow through 100%.We're not saying smaller businesses are bad – they're wonderful and the backbone of our economy. But don't count on making a big business out of small deals or customers.

What We Love About Big Deals

As you get off the ground, one of the best ways to double up on top of your other growth, and without working more hours, is by closing bigger deals. With bigger deals, you will (a) make a lot more money (b) exert less effort and (c) help customers become more successful. If you're selling to someone who's close to your Ideal Customer Profile, closing a $100,000 deal shouldn't be too much more work than closing a $10,000 deal, and may not even take longer. So if it takes 2 to 3x the time and effort – but you get 10x the revenue and your customers get 10x the value – it's worth it!

Don't be afraid of raising your prices when selling to bigger companies with bigger needs. Bigger deals can take longer to close, but they're worth the wait. Bigger deals can lead to better customer results:

Better service: You can focus customer service/customer success people on fewer customers,

ensuring customers get the most value from your product.More commitment: As long as you're not selling to people who aren't a fit or aren't ready, bigger deals should lead to companies that have more necessity, commitment and resources to get the most from your product.

More cash upfront: Working with bigger deals often means working with companies that have cash or funding, to pay cash-up-front for 1 to 3 year contracts;so important for growing businesses!

The Best of Both Worlds
We want to be clear: we're not telling you to give up small deals. Use small deals to get started, and appreciate those customers and love them – but don't limit yourself to small deals by thinking small. Before the Internet, businesses ended up focusing either on lots of small, transactional customers oron big customers and big deals. Now, companies can blend them cooperatively, building a customer base of small, medium and large customers. The trick is focusing on one as your primary business, while keeping the other(s) as complementary

ADD ANOTHER TOP PRICING TIER

I've been fortunate enough to meet with many outstanding entrepreneurs building self-service SaaS businesses at the bottom of the market – a customer base made up of very small businesses and individual business purchasers within slightly larger companies. By all means, if you can build a $100M self-service SaaS business without a sales team, a customer success team, webinars, getting on planes, and all that – go for it.

Small customers are valuable, beyond any revenue they bring in. They can be champions for your company; they can refer others to your business. They'll often give you useful product feedback; they're willing to develop add-on ideas, code, features, and content for you. Small customers can be enjoyable to work with, satisfying to help, and they may seed larger deals.

For lead generation, it helps to have some free, easy, or affordable ways for prospective customers to kick the tires and get to know you. This could be a free or low-cost product, a free trial, or free content. For the first couple of years, Aaron dropped the price of the Kindle ebook version of Predictable Revenue from $10 to 99 cents to make it a no-brainer to buy. Losing thousands in book profits was worth it to triple the audience and help find customers for five- or six-figure outbound software and consulting projects.

If your product is 100% individual-focused, and you add just enough features to sell to a team, to tilt just slightly upmarket – you can grow your revenue, at least a segment of your revenue, by 20-30x. Because deal sizes can go way up, and customers will stay with you much longer. Maybe you add management-level analytics. And then some sort of collaboration. I'm not sure what it will be for you, but let's call it the most basic features necessary so that a team or a group will buy, instead of an individual user. Often it's around extra reporting features, administration, security or configuration controls.

What you'll find is epic on the churn side. As the deal gets just a smidge bigger, your churn will

drop by 50-80%, toward 1-1.5% per month. As you add more seats, the churn will trend toward 0% and eventually become negative: your customers will add more seats than they cancel over time. But that 5-seat Team Edition sale customer is still there in Year 2 and Year 3, paying you; maybe even adding seats.Within a $30/month product, all of a sudden you've gone from a $240 Customer Lifetime Value for the single seat purchase to a $5,400 CLTV over three years – from the same customer, from the same basic core product – just with whatever additional functionality you needed for your Team or Enterprise edition.

The math just gets better as you support slightly larger teams. And if you create a higher-end level that's $50, $100 or more per month, the math compounds even faster. Even if a customer isn't a fit for it, a side benefit is increasing the perceived value of the $30 product. For example, having a top package of $10,000 per month can make your $1,000 per month offer feel more affordable (a psychological principle called anchoring.) Salesforce.com started with a $65 per-month/per-user product and eventually was able to create $125- and $250-per-month versions. So what's my point? I'm not saying that if you are building a freemium or self-service product you should immediately Go Enterprise. (Although I've done that exact path.)What I am suggesting is that you at least think about adding a layer. If the one-seat freemium thing is working for you, add a Team edition, or a so-called Enterprise edition. Even if it's just for an Enterprise of Five.

And hire a sales rep – or better yet, two – to actually talk to these customers and try to close them, to go beyond just customer support. If it works – just that little extra functionality, for that extra edition – you can dramatically increase your growth rate. All of a sudden, that same customer, that same lead who came by your website or app, all of a sudden is worth 20-30x more. Same effort to get them to your site or app. But 20-30x the return

PRICING IS ALWAYS A PAIN

If you're struggling with nailing down your pricing, remember: Pricing is always frustrating and never perfect. It's easier to start with higher pricing and then lower it, than to start low and raise it later. Getting your pricing right is often – if not always – confusing and frustrating. Many companies end up missing out on a lot of revenue by underpricing. Here are a couple of approaches you can use: It'seasier to get started with "bottom-up" comparative pricing.

First, take a look at what people are paying for anything that's similar to what you're offering; This gives you a useful baseline for expectations. For example, most B2B SaaS companies charge between $10 and $60 a month per general user. After seeing lots of services priced this way, buyers naturally expect similar services to charge a similar amount. You can charge more, but you'll need a believable justification for it, and users with compelling needs.

Come up with a few products or packages, guesstimate the prices, and bounce them off live prospects. There's no secret formula or 7-step magic system for this; just make it up as you go and see what works. (Hmm – the same way you "figure out life".) It won't take long to get the data you need, or to get a feel for what's working and what needs adjusting.

OK, so that's not much of a new idea. Now for one that many first time entrepreneurs miss..."Top-down" value-based pricing If you have a good sense of the impact your product or service can have on customers, try pricing it backwards: first set the price, then figure out who'll need and value it enough to pay your price. In this scenario, your costs shouldn't matter. If you can tell that something is worth $1,000,000 to an ideal buyer, and they're willing to pay for it, what does it matter if your costs are $100,000 or $10,000? Charge $1,000,000

Maybe anyone can use what you've got, but who would find it especially valuable? Who needs it? What is the impact you can help create? What is the dollar value you can justify because of that impact? Rethinking this'll help you (re-)Nail your Niche...working backwards from who the best customers could or should be.

These ideas can apply to your $50 general users – perhaps you should rethink that and charge $125? – and also to your $150,000 enterprise customers – perhaps you should really charge $750,000?This only works when you're different or unique enough and people believe your value and the expected results. Anyone can claim anything on the Internet – how do you back it up, so people believe you? Another side benefit of this: When you imagine setting a higher price, it forces you to imagine how you'd deliver enough value to customers to justify it. For many of you, especially if you're too early to have much of a customer base, this "backwards"/ value-based pricing approach is still useful, even as just a thought exercise that challenges how you think about your customers and your value to them.

Simplicity, Not perfection
High-end pricing and deals get complicated. A complicated pricing structure may "perfectly" capture revenue, at least in theory, but in reality, complex pricing makes it harder for customers to buy, and harder to keep track of what has or hasn't been delivered. Confusion will slow things down – including when your champion has to explain the structure to the CFO or ultimate decision-maker.

Balance customizing the deal with keeping it as understandable as possible. When you need to decide between simpler pricing and "perfect" pricing, go simple and don't be afraid to leave some money on the table in order to close the deal. Don't be afraid to experiment with pricing. It's hard getting your pricing "right". And even when you do nail it down, markets change, you release new products, or your competitors come out with something that forces you to revisit how you price or discount. Don't let the fear of losing a deal stop you from trying out new pricing ideas with prospects.

3 THINGS EVERY ENTERPRISE CUSTOMER WANTS TO KNOW

Even though the enterprise sales process has many steps and stages, it ultimately has to answer three questions for the customer: why buy, why you, why now.

#1: "Why should I do anything?" The easiest way to help a potential customer answer this question is to identify their important initiatives. Every large company has strategic business initiatives that are always going to be funded and that are driving its IT investments. Once the sales and marketing teams have uncovered these initiatives (as well as the critical capabilities

that need to be in place for the initiative to be successful), they can begin to define the unique value proposition.

The key here is to seek first to understand and then second to be understood. Listen first, sell second. The problem with telling a potential customer what you think they need before you understand what they think they need is that:

- You're basing your position on a known set of requirements from a broad base of companies instead of unknown specific opportunities.
- It positions you as more of a commodity play or just a vendor – as opposed to a partner who can help transform the way they conduct their business.

#2: "Why your solution vs. your competitors'?" No one knows more about your solution than you do, so you should be the one helpfully consulting with your target customer to craft what success looks like. By doing this, you're more likely to win the criteria-setting battle, because you're essentially pre-positioning and differentiating your enterprise/SaaS product over that of your competitors.

This helps block the competition, as you're helping the prospect learn to see the world, and success, through your lens. Therefore, the sales team's job here is to help a potential customer define success in three distinct buckets: (1) business criteria; (2) architecture/scale criteria; and (3) feature and functional criteria.

This is also the best time to prepare messaging, metrics, and marketing to address three audiences: (1) enterprise-level (C-suite, senior vice presidents); (2) workgroup-level (VPs, directors, managers); and (3) user-level (groups of individual contributors and their direct managers). Since most companies spend most their messaging effort on the level 1 or 3 audiences, forcing your company to constantly see its prospects and customers through this three-level lens affects your win/loss ratio. At this point of the sales cycle, there are many tasks that have to be guided by the project owner – usually the salesperson.

This is where they show their value: by coordinating the right resource, action, or message – at the right level and at the right time – to determine success or failure. The best enterprise salespeople are coaches or entrepreneurs, ensuring all the audiences at a prospect are receiving what they need, that resources are rallied from your company, stumbling blocks are uncovered and avoided, and surprises are eliminated.

This is key because your biggest competition isn't just other startups, perpetually licensed on-premise packages, home-grown solutions, or incumbent vendors. It's inertia. It takes a lot for a Big Company to decide and successfully implement a new solution. Enterprise salespeople often can't achieve that big account escape velocity, and lose to Do Nothing and No Decision more often than to any other competitor.

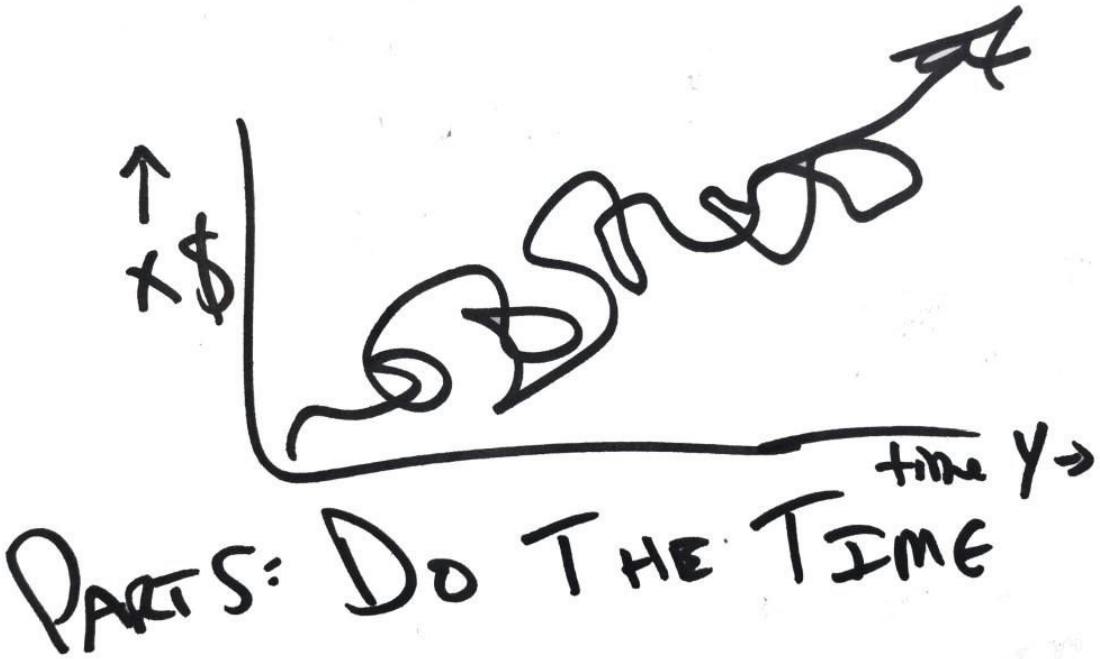
#3: "Why now vs. investing in another area of our business?" Once you've eliminated the competition and are on the path to technical validation, you have to turn the value proposition

into a quantifiable business case. This kind of "ROI diagnostic" as a selling tool gives you three advantages:

It aligns and maps your product's capabilities, operational benefits, and financial value with the company's key strategic initiatives. This helps your enterprise-wide proposal compete for capital with all the other proposed initiatives, programs, and projects. It improves visibility into the current operations environment, by providing a snapshot of operational inefficiencies and challenges. Besides showing the company that you get what matters to them, this approach helps insulate you from pricing pressure. It ensures that the plan for implementing your solution delivers on the most important business objectives first, which in turn ensures a shorter time to value.

If landing bigger customers is new to your business, you'll have to staff up with more customer-facing resources than you expected or wanted — professional services, customer support, etc. Investing in these kinds of roles and people pays off in securing and expanding these customers – and in getting the best marketing resource there is: happy customer references. Don't obsess so much on getting new customers that you forget to invest in current ones. Including turning them into unassailable external references and advocates. Because good products – and even many great ones – don't sell themselves. You need champions who will help sell them for you.

PART 5: Do The Time
Painful truth: *It'll take years longer than you want.*



Any expectations you have about how long it will take, or how hard it will be, are pretty much guaranteed to be wildly off. But it's worth it.

You Need 24 Months To Get Off The Ground

I meet with great VPs of Sales and Product who are Ready. It's time. To go out on their own and start their own SaaS companies.

Awesome. I get it. I'd like to recruit you to be a VP at one of my companies, but I get it. Working for The Man can be a great way to make money in the interim, support your family, and get paid to learn. But no one who's truly ambitious wants to work for The Man forever. I mean, not really. If you're wondering if you should start your own SaaS company, here are three to ask yourself:

First: Are you prepared to give it a full 24-month commitment to hit Initial Traction? Not 12 months. Not 18 months. But 24 months? Two *years?* Six months isn't enough. Twelve isn't. It's going to take you 9 to 12 months just to get the product right. And another 6 to 12 to get significant revenues.

Maybe an Instagram or a WhatsApp or a Pinterest can explode in just 12 months (though again, it took years of development and trial and error before they got to their "overnight" successes). You can't afford to expect miracles like that in business-to-business software, services or whatever business you might be in. Can you a*fford* to commit for 24 months just to get to Something, to real Initial Traction? If not, you should pass. Slack went from $0 to $12M ARR in one year (2014). Whoa. But it wasn't *founded* on January 1st, 2014.

Giving yourself 12 months to get to Initial Traction won't cut it. You'll quit. Just 12 months in, you won't have enough revenue to support yourself if you have any at all. The honest truth is that most folks can't really commit for 24 months for financial, personal reasons or whatever. That makes sense. Nevertheless, you'll fail in SaaS if you don't commit to 24 months to Initial Traction.

Second: Are you able to commit to 8,760 hours a year? That's 24 x 365. I don't mean committing to being in the office 14 hours a day. That's not really necessary (that's for the Y Combinator kids). But can you really, *honestly* commit to obsessively thinking, worrying, and stressing about how to do The Impossible? Every. Single. Moment.

Nothing else, but work. Even when you are playing with the kids. Having dinner with your husband. That's what it's going to take. If you don't have the mental bandwidth you should pass.

Everything in SaaS is insanely competitive. Because SaaS is so multi-faceted, you're going to have to be the VP of Sales, Customer Success, Marketing and probably Product in the early days. There's endless drama with paying customers. You'll almost lose your best Logo accounts. You have to be intensely, painfully committed to do all this.

Later, there will be fat – once you get to $5M ARR or so. It'll get easier in many ways as you grow (and harder in others). But in SaaS, it takes a long time until then; it's hard to get recurring revenue engines going.

Third: Will you Take The Leap? This is, perhaps, most important. If you keep a mindset that you're "just trying it out" but you maintain other options, it never works. "I'll try for a while and go back to Salesforce.com if it doesn't work" or "I'll do a lot of consulting while I see if it works" or "I'll raise $500K and see how it goes." This just never works. At least not for high-growth startups. Great founders Take The Leap. Not because they are crazy risk-takers, but because they see the risk and decide to go for it anyway. They know there will be many challenges – with funds, customers, family – but they decide to figure them out along the way. They have doubts. They have fears. They have money troubles. But they see The Future and believe in their own (eventual) Success. If you aren't ready to Take The Leap, you aren't ready to do a startup.

What if you're close?

OK, what if you aren't *quite* there. You can't pass tests 1, 2 and 3 above, but you are close. Then take a pause – don't say no *yet*. Instead, go do some more homework. Do 20 customer interviews. Find a great co-founder who can pass the 3 tests, commit to 7-10 years and the overall 24+ months to Initial Traction. You almost certainly can't do it alone; do that and then see how it feels. Even great founders that can see The Future sometimes need help. I did in both my startups. 20 interviews and an amazing co-founder can be the missing pieces that really show you how to do your own SaaS startup.

A Double Check: Are You *Really* Sure?

There's been one huge change in "entrepreneurship" over the past 10 years. No, it's not that it's cheaper than ever to do an Internet startup. That's not even true. When software came on a disk or a CD-ROM in the old days, it was even cheaper. You didn't even need a single server to start Microsoft, or Intuit, or Borland, or Lotus. Although distribution today is far broader, if not cheaper.

It's not that the web and tech are so much bigger, creating so many more opportunities. That's true, but even when tech was smaller you could scale very quickly. Inflation-adjusted, Lotus 1-2-3 did over $100M its first year and IPO'd in its second year. What SaaS company ever did that?

What's changed is the culture of entrepreneurism. Ten years ago, to be a founder you were a bit of a nut – a mad scientist, a crazy kook, someone who didn't realize the odds of success were 0.00001%. Someone so smart, so gifted, so bonkers, that they did something wild. Founders were a breed apart. You might have met some of them, but you could never imagine *being* one of them. Ten years ago, if you joined a startup post-traction, you were still taking a big risk. You were stepping out of an accepted career path and potentially taking a big hit; and you were definitely taking a big salary cut.

By contrast, today even a pre-traction entrepreneur is super-cool. Even being just a wannapreneur can make you feel cool. The risk is low, failure is fine, and you can always go join Facebook/Google/Zynga/Square if it doesn't work out. Joining a post-traction startup? No salary cuts necessary. And your resume? Enhanced by that cool, hyper-scaling startup, i.e., zero risk. That's OK by me, but I think the disservice is that TechCrunch, Y Combinator, The Social Network and all that has over-glamorized entrepreneurship.

My one piece of advice: you absolutely should not start a tech startup and try to raise money unless it's 100.0000% clear to you that this is the best thing in the world to do. Why not?

First, your startup will almost certainly fail, and while that's OK, you won't really get any credit for it. No one cares about your failed startup that got no traction and that no one ever heard of. They won't judge you, but they won't care.

Second, risk-adjusted economics *suck*. If you are smart and driven rather than risk-adjusted, you'll make more money by joining a top web company, staying, and getting promoted. While the comp delta between a startup and BigCo doesn't seem huge at non-leadership levels, it really grows when you get promoted and into management.

Third, even if you want to do a startup, you're far better off joining an existing rock-star/, super-strong team. Great startups need great teams, which are rare. Better to join one than try to start one from scratch, which is close to impossible.

Fourth, it's far, far harder than you can imagine. The highs are higher, for sure, but the lows are so low. Most people really aren't up for that and can't handle them properly, if at all. For example, are you OK signing a full recourse $750,000 promissory note to fund payroll when all the funding falls through (like I did at my first startup)?

While you'll have more "freedom" doing a startup, it's such all-consuming hard work, you probably won't appreciate it – at least not while you are going through it. It's hard to enjoy the view when you're glued to a screen.

Having said that, if it's a calling, go for it. I did. But that's really the only great reason to start a SaaS startup. The only logical reason. Since it is illogical…

You have to see something the rest of the world doesn't see, be so confident in it that you don't see all the risk, *and* have nothing in the end that's "better"/higher ROI (all things considered) than doing a raw startup.

COMFORT IS THE ENEMY OF GROWTH

During your journey, at some point you plateau. Probably more than once – either in sales, energy or innovation. Everyone does. You feel stuck and nothing seems to kick-start growth again. It's usually because:

- You've tapped out your networks and relationships.
- You or your business doesn't stand out, sounding like everyone else.
- You're overly dependent on a single person for a key function such as bringing in leads, closing deals or engineering.
- The market or customer needs have changed, and changing the business feels impossible or impractical. You've hit a business model or market wall but aren't sure what to do about it.

Sometimes a business breaks this plateau and ends up growing by hundreds of millions of dollars. And others struggle, unable to break their slump. What was the difference?

In all of these cases, comfort is the problem. Not as in "relaxed and happy." Comfort as in "doing what you've always done" – even really well or even when it hasn't worked. Comfort as in "what is familiar, known, or taken for granted".

Unfortunately, comfort is the enemy of growth.

The irony is, *what's already worked best for you so far (what your familiar and comfortable with) can be the enemy of faster growth*, because you become dependent, complacent or just too busy to keep up.

The idea of tripling your prices, redoing your product, rebuilding a sales team, firing a revenue leader and taking six months to find someone new, going for 10x deals, creating a whole new way to generate leads, swapping out sales automation systems, writing a book in your non-existent spare time… these potentially game-changing initiatives feel impossible to get to with so many other demands on your energy. A drastic change might be required to Nail A Niche or get on the path to scalable growth along with the other lessons in this book.

With any big change or investment, you're going to obsess with how long it'll take, how much it'll cost and whether it'll affect sales at all. *By definition* it's a big risk with an uncertain payoff, or else you would have already done it. Honestly, most people can't handle this much uncertainty, so staying with the devil you know is easier than "going for it".

In a bicycle race, when your bicycle tire's leaking air but not flat yet, it feels easier just to keep pushing. You don't want to lose time. It's harder for you to feel like it's worth stopping in the middle of a race, to get off the bike, fiddle with it and finally fix it, before starting up again.

Likewise, you put off restructuring the sales team. Or firing the executive you know needs to go. Or rebranding and repackaging. Or doubling down on a target market, making the change from "What problem do you need solved?" to "We solve (x) problem, do you have it?"

You put it off until you end up in a Year Of Hell, with your back against the wall with no other options, and you're forced to change. It's the same reason employees will bitch and moan about their manager or their job, but do nothing about it – because it's easier (more comfortable) than finding a new job, confronting their manager or changing their own attitude. At least in the short term.

MARK SUSTER'S QUESTION: "SHOULD YOU LEARN OR EARN?"

A mutual friend of ours is Mark Suster, past serial entrepreneur and now partner at LA-based venture capital firm Upfront Ventures, and writer of the popular blog "Both Sides Of The Table".

I often have career discussions with entrepreneurs, both young and more mature, about whether to join a company. I usually pull the old trick of answering their question with a question: "Is it time for you to learn or to earn?"

Let's face it, if you're thinking about joining a startup that has already raised, say, $5 million (as the director of marketing, or as product management manager, senior architect, international business development lead, etc.), the chances of making your retirement money there is *extremely* small. That's OK. Not every job you have is supposed to be your big break. It's OK for that to be a job where you *learn*.

Yet people often ask me whether I think a company is going to be a big hit. It's clear that they're confusing *learn* with *earn*. So here's a simple calculation I do for them: OK, you would own 0.25% of the stock. They raised $5 million in their B round. Let's assume that the company raised it at a normal VC valuation and gave up 33% of the company and thus $5 million / 33% = $15 million post-money valuation. If you never raise another round of venture capital (a big if), and if your company is sold for the normal venture exit ($50 million on average for the 200 or so that get sold annually), then what is your stake? $125,000? Yup. Simple math would have answered that, but people rarely do the calculations or think about them.

Let's say that it took four years to exit – that's $31,250/year. Now… these are stock options, not restricted stock, so you'll likely be taxed at a short-term capital gains rate. In my state (California), that averages around 42.5%. So after tax you'd make an extra $18,000/year; and that's in a *positive* scenario! Also, this ignores liquidation preferences, which actually means you'll earn less.

Now let's go *crazy*. Say you get 1%, you sell for $150 million, and it's in three years (e.g., you won the lottery). That's an after-tax gain of $287,500/year for two years. Not bad. But wait a second… Doh! Stock vests over four years. You didn't get acceleration on a change of control? Sorry, we'll have to either cut your earnings in half, to $143,750, or you'll have to complete two more years at whichever BigCo that bought you to earn it all. Either way that money's earned over four years – so it's $143,750/year for four years.

Don't get me wrong. This isn't shabby money. Most people would *love* to make that much in four years. But don't confuse getting stock in a company with retirement. Given that a decent home in an expensive area such as Palo Alto or Santa Monica will set you back $2 million, it's hardly riding off into the sunset. It's why Jason says "the risk-adjusted economics of starting a company suck."

I'm not trying to depress you; I'm just trying to be realistic. If you want to *earn* – and by earn, I mean the chance to buy your house outright – you have to start a company or join as a senior executive. Or you have to hit the lottery and be an early middle management player at Google, Facebook, MySpace or Twitter. Let's be honest: how many of those are created per year in the entire country? One? Two, max? I spoke with an investor recently who told me that 1,500 deals get funded every year in the US; 80 (5.3%) eventually sell for $50 million, and only eight (0.5%) eventually sell for $150 million or more.

So when the Stanford MBA, the ex-senior technology developer, or the former Chief Revenue Officer of a company is calling me and asking my advice on their next gig, you can see why I start with, "Are you ready to earn or to learn?"

For most people it's *learn*. I only emphasize the question because I find it much more helpful to join a company with realistic expectations. My advice is often this: Make sure that what you get out of working at this company is one or several of the following: a great network of talented executives and VCs, more responsibility than your last job, specific industry or technical skills that will help you in what you do next, or a chance to partner with companies that will increase your industry relationships, etc. Learn now to earn later.

When I was CEO of my first company (where I admittedly fucked up everything before I figured it all out), we initially calculated for people how much their options were eventually going to be worth. This was in 1999. A company called Ventro, with only $2 million in revenue, was trading at an $8 *billion* valuation. It was easy to do these calculations. Over time I realized that this created a rotten culture.

Later, I took to telling people the following: "Join BuildOnline because you think you'll get great experience. Join because you like the mission of what we're doing. Join because if you do a good job we'll help you punch above your weight class and work in a more senior role. And if you ever feel in the year ahead of you that you won't increase the value of your resume and you're not having fun, then go. Join because we pay well but not amazing. Stock options are the icing on the cake. They'll never make you rich. Don't join for the options."

Obviously you should only take jobs that you enjoy and that let you be passionate about coming to work every day. That's a given. Don't blindly join a company without knowing *why* you'd join or asking the right questions.

A friend recently called to ask for advice on becoming the CTO of a startup. He'd be employee number three. The company was being spun out of a larger company. I asked him how much of the company would be owned by the parent company and how much would be owned by management. He hadn't thought to ask. When we next spoke, he'd found out that the CEO had about 5% and there was no management option pool in place. My advice was ... Run! I said, "All the hard work is ahead. Why start the game with a company that has a structure that's likely to fail?"

Another talented young man I recently met called to talk shop. He had an offer in NY, another with a well-known startup in the Bay area, and a third offer with a startup in LA. He also has his own company that he'd started six months earlier. He's not even 21. He wanted to know what to do. I told him that he needed to decide whether to learn or to earn. He's young enough to do either, but you need to know why you're doing it. I advised against the SF role because it was a bigger company and his role would be pushing paper from one side of his desk to the other. If you're going to learn, then at least go work somewhere exciting where you can really do

something. If it works, you can stay and grow for the next five years. If it doesn't, you'll have done three startups by 26. And you'll be ready to earn.

On the other hand, at sub-21 you have the ability to swing for the fences and try to earn, if you're so inclined, and if you think you have the skill set and the idea. When you're 40, with three kids and a mortgage, this is much harder.

Now, for the *earn* part. Another friend of mine is a very talented executive. He went to Harvard Business School and has worked at three prominent startups and two well-known big companies. He's worked in the US and internationally. He's in his early 40s. Whenever he calls me, he must think I'm a broken record. I always say, "Dude (I live in SoCal now!), it's time to *earn*. Stop dicking around with another number two job (he always gets offered the number two job). It's time for you to be in the driver's seat. Either start a company or go somewhere where they need a CEO."

If you really want to earn, you need to be in the top three or four in the company. Best to be a founder. Very few people can do this. It's a rare skill. Be realistic about your skills, background and ideas.

I'm not all about the money; I think working in a startup can be an enormously rewarding experience. I wouldn't recommend it any other way. But you need to match your talents, age, skills, ambition, and economic situation to your current reality. At a minimum, be realistic about the outcomes. And make sure you ask yourself, "Am I here to learn or to earn?"

PART #6: EMBRACE EMPLOYEE OWNERSHIP

Painful truth: *Your people are renting, not owning, their jobs.*

DEAR EXECUTIVES (FROM EMPLOYEE)

Dear Executives:

I enjoy working for this company. I like the people here, the culture, and I believe in the product! I want to succeed here - in big ways. And make a name for myself. I want to contribute. I want to grow here and build my career further with you. I want to help the company, but I'm not always sure how.

I frequently get frustrated. It's hard to get time with you to have real conversations. I feel like you don't listen to myself or the other employees - we have ideas too. I've tried to share mine, but after the third time where nothing happened and no one cared or listened, I just gave up.

It's so hard to change anything here (even little things), and I don't know where my career is going with you, or have any confidence you even care about it or me. In other words, while I make decent money here today, I don't feel valued - and that makes me feel like I don't have a future here. So I am only motivated to do the minimum here to get by, rather than going above

and beyond – because what's the point? I use my extra time reading up on topics like finding dream jobs, starting a business and online marketing.

I can often feel trapped in my role, not allowed to try anything new or experiment. Rather than feeling trapped by my dayjob, I want to use it as a springboard to discover what else I can learn and how I can make a bigger contribution. The more I learn about other parts of our business and market, the more ways I can contribute.

I know I need to perform in my 'day job' (what I was hired for), but aren't there ways that I can also keep learning in other areas, including in making the company more money? Don't look at these other interests as distractions from my role, but rather as possible complements.

The career path here seems like a mystery, or worse – arbitrary, where executive favorites get all the attention and promotions, even when more than a few don't seem that great, and even include some disasters.

DEAR EMPLOYEE (FROM EXECUTIVES)

Dear Employee,

So you want to be successful in your career. Maybe you believe right now that you deserve a promotion or a raise. Or you're just bored at work. Maybe people don't respect your (great) ideas, or listen to you there. That you're not getting a fair shake from either the owners or perhaps customers. Maybe our management systems are just broken and defeat our people's best efforts (though we can't admit that publicly).

Because…the truth is, while we like you as a person and think you're swell, and you're doing well in your job, that's the minimum. We don't see how you're going out of your way to contribute in other ways. (And all those side projects you're working on don't count. What, you think people here don't know about them?)

Here's the deal. If things aren't happening the way you want, it's time to take charge of your own destiny rather than believe it's "other people's fault" such as your manager, owner or team's fault. Don't blame others for not recognizing your greatness. If you wait for people to recognize or discover you, here or anywhere, chances are you'll be waiting a loooong time. The time will never be perfect. The opportunity will never be perfect. You have to work with what you have – as frustrated or defeated as you feel.

A company is *full* of people who need things. Products launched, marketing campaigns run, sales closed, employees hired, customers serviced and bills paid. There will always be innumerable problems to solve; **pick one and do something about it.**

You gotta be able to do this without sacrificing results in your "day job"; what your current manager, team and job description expects from you. If you can't deliver on what we hired you for, we're unlikely to trust you to deliver on anything else. An owner doesn't deliver results only when it's convenient.

If your reaction is "how do I do that?" then, well, *that's the whole point,* because we can't tell you. If we knew, we'd already be doing it. How can you improve the business in ways that we don't see or aren't practical yet?

If you're reaction is "I've tried to do that, and keep getting shot down!" then the best we can say is, find someone who will believe in you and coach you here. Even if you have to do it privately, since it might not be your manager. You can't wait for the company (or anyone) to figure this out for you.

If you're unsure where to begin, start by talking to us and other employees. What problem needs to be solved, what function needs an owner, or who wants to help you?

There is no magic recipe to follow, where someone can just "tell you what to do". You have to practice figuring it out on your own – this is part of taking the initiative! Remember: so many of the success stories around you are part of the Reality Distortion Field, and they leave out most of the undramatic (and thus boring) bits on the daily struggle, from which 98% of success comes from. We know you've got unbelievable potential, so stop talking about it and show us by taking the initiative. Put down your smartphone and Instagram, get out from behind your computer. We want you to succeed here as badly as you do.

PART 7: DEFINE YOUR DESTINY

Painful truth: Dear Employees, You're too accepting of "reality,"and give up too easily

HOW TO EXPAND YOUR OPPORTUNITY AT WORK

You can use the same lessons through the book to help you with your personal opportunity. Because that's where you begin, let's call it "Nailing A Personal Niche" in the company, in what you' re interested in and can be great at. Then, creating leads and opportunities for yourself, specializing your time, looking for bigger deals, doing the time, etc. But here' s a quick start:

1. Make a list of what you want to do or most interests you –whether it's related to business or not. Then add to the list at least 3 ideas around revenue that you could or should be interested in, such as Learn how to sell or Learn copywriting. From this list, can you see any ways to learn any at work, to get paid to learn what you want to learn or do anyway?

2. Read the 20 Interviews section again in Part 1 on Nailing A Niche. Use the same approach. Interview people in your company, as well as partners, prospects or customers as needed. Can you find a problem that requires you to learn or do something from your list? What problem do you want to solve? If it's not something that your leaders care about, how can you reframe it from a nice to have into a need to have for them?

3. Find a mentor, coach or champion internally to get advice from, who can support you – and will be painfully honest with you about where you need to improve (everyone does).

4. Create a Forcing Function to come up with something tangible to deliver (a prototype, an analysis, a presentation, a blog post, a talk, an event...). If you aren't sure what that is, first pick a date and tell some people you're doing "something"on it. There's no better way to pull yourself forward in life or business than to publicly commit to doing something specific by a date, even before you know how you're going to do it.

5. Do The Time, repeating steps 1-4 (especially the Forcing Function step) over and over and over and over again...because, chances are, its going to take a lot longer than you want or expect to turn any idea first into proven results, much less recognition, career and money. Keep updating your want to do/learn list to keep yourself interested.

6. Remember: the whole point here is that executives (at least the confident ones who aren't threatened by others success) want you to take the initiative and make the most of your opportunity. It makes their jobs much easier! As long as you don't go rogue. Go to them for guidance and mentorship, not handholding for every little step. Holding your hand at every step makes more work for them. Make it easy on them and others to understand why your idea or project is important, how it'll work, and your plan.

YOUR COMPANY ISN'T YOUR MOMMY OR DADDY

The whole movement around making employees happy is well intentioned, but it's also unintentionally distracting people from what actually creates revenue and enduring fulfillment. Happiness is a funny thing. Its transitory, often coming and going on a moment's notice. And happiness today can be the enemy of happiness tomorrow, if you let it make you complacent. No one really understands it, regardless of what the studies say.

A company is responsible to employees, not for employees. It can create the conditions for your fulfillment: a safe work environment, no assholes, fair pay, career opportunities and an honest culture. But it can' t be responsible for making you happy – just like it can't be responsible for keeping you entertained or interested.

Your company isn't here to make all your boo-boos go away. To praise you at every turn, or avoid calling you on your shit, because they don't want to upset you. You're just as responsible in making things interesting to yourself as the company is in helping you find the right fit. Boredom usually comes from a lack of learning. Don't wait for the company to figure out what you do – what can you do to take charge of learning on the job,

Hey, it's your life, and only you can solve your problems - as much as you'd love someone/ something to come in and save you – a big deal, an investor, a producer, a spouse, the Universe, a big bet, or family. Including matching your life to your finances (or vice versa), or finding purpose and passion in your life and work. It's all on you, guy/gal.

You need a support system. You need to find people that believe in you. But depending on them for advice is different from being dependent on them for answers. People hope easy

answers and instant results will make them happier, which they do... for a few seconds or minutes. Easy come, easy go. Fulfillment, a more enduring form of feeling good, comes from using all your talents and growing through challenge.

The company's job is to create a supportive environment. Extra vacation days and ping pong tables can create temporary happiness. But – being supportive also means challenging you, pushing you to improve yourself as a person, to better create enduring happiness. In that way, actually, the company should be like a parent…

HOW TO MOTIVATE YOURSELF

Everyone struggles with motivation. Well, maybe except 0.1% of us who are mutants like Elon Musk. But that's not me. I am very, very human. And like you, I suffer from procrastination, perfectionism, confusion and erratic motivation. What, you say? "Aaron, you went from 0 to 9 kids while publishing multiple books, grew your income by leaps, released a Predictable Revenue software product, while (usually) working 20-30 hours a week. And you say you get confused and are erratically motivated?!"

Authentic busyness: With lots of kids, whom I love playing with, and a growing business that must keep growing, I'm always tired. Physically, emotionally, mentally. Overwhelm: I'm conflicted about what to spend time on, with so many irons in the fire at home and work. Resistance: Fear, doubt, uncertainty, perfectionism – I experience them all, too.

Like you, I have bills to pay – which somehow keep growing as fast as my income! – and still-bigger dreams to chase. If there was one thing (though there's never "one" thing) that has propelled this growth and bulldozed through my busyness, confusion, etc. –it' s that I create constant, and challenging, Forcing Functions for myself. They became my source of predictable motivation.

Thanks for reading our summary of

**"From Impossible to Inevitable:
How Hyper-Growth Companies Create Predictable Revenue"**

Sponsored by CARB.IO.

Click here for the full book .

https://www.facebook.com/PredictableRevenue

https://twitter.com/motoceo