



## *Teakwood Wisdom*

*As one of Teakwood's most valued friends and business partners, we would like to express our appreciation for your partnership with Teakwood. In an effort to continue building our relationship with you, we would like to share our thoughts with a small group of people, including you, on a continuing basis.*

*We plan to periodically send excerpts from our quarterly letters to our Limited Partners. In addition, we may provide additional insight that we gain through interaction with our business partners, limited partners or portfolio companies. Our goal is to provide something that is valuable to you, yet brief.*

*Please don't hesitate to give us ideas regarding what would be valuable to you or comments on the information we send to you.*

*Thank you for your continued partnership,*

*Teakwood Capital*

Since 2006, Teakwood has on average grown portfolio company revenues 41% from acquisition. We are always interested in new ways to continue our success and have sought the wisdom of many people whom we respect....

### ***Here is the question asked:***

How can small companies accelerate revenue growth and scale beyond star salespersons and charismatic founders?

### ***Responses received:***

Many of our contributors recommended learning from the star's success. This allowed the company to turn levers that contributed to the founder/ star salesperson's success into a definable process, that can be further refined and scaled. Understanding and debugging the sales process was another important insight. Other respondents suggested casting a wider net, by looking all aspects that contribute to increased revenues -- from R&D, partners, packaging, operations to enhancing digital marketing for today's economy. Finally, many of the respondents highlighted that in the end, it translated to the people hired into the company. It is crucial to recruit top talent, manage them well, and build a

collaborative culture that expands beyond functional boundaries.

***VALUABLE SNIPPETS FROM OUR SEASONED BASE OF LIMITED PARTNERS AND ENTREPRENEURS, AS PART OF THE TEAKWOOD WISDOM PROGRAM:***

Embrace the success of your rockstars. Study what they do well. Fight the urge to discount their success.

The trap I have fallen into (twice, sadly) is the temptation to under-investigate why the rockstar is a star. Sometimes, it is easier to focus on the urge to build a scalable system based on preconceived notions of best practices. Now, I (try to) put my personal biases off to the side and really distill why their actions have led to success. The rockstar will most likely have some big holes in their game. I've learned to be very careful before trying to plug these holes...often, the holes are above the waterline and the energy will be better spent distilling, operationalizing and scaling what works.

Accelerating revenues may be as simple as relieving the choke points - fulfillment, training, supply chain, inaccurate billings - or as complex as redesigning the product road map and retiring a star product before it implodes. Smaller enterprises often have a nimbleness advantage which they can exploit in their marketing and sales programs by taking ownership of a sales challenge, analyzing it quickly, and then moving decisively as competitors mull and administer their alternatives.

You must develop disciplined process that should be supported by technology and effective account management. Find more star salespersons then grow the support system to keep existing customers happy and to successfully implement new customers. Additionally, precision lead generation is imperative to drive the productivity and effectiveness of salespeople. Finally, put considerable thought into HOW you sell. Should you be selling direct, with feet on the street? Do reseller, channel or partner relationships make sense? Should you have an inside sales force? Not everything can/should be sold by a lone hunter in the field.

On more than one occasion I have found that focused networking within the target market works. Finding key market participants (aka "respected" and "influencers") with the intent to form close ties through common ground can often lead to informal and formal relationships that will represent the small companies to other market members and decision makers. So, join the groups (professional, charitable, or informal) that contain the most respected of the market leaders and search out those who relate to you and your solution. The relationship has to be real and not contrived, so being yourself is paramount during this process. It's also natural that a close relationship reveals all of the qualities of those involved, so the reputation, experience and abilities of both parties will predict the likelihood of a positive outcome. Sales success is rarely created by a founder or by the efforts of a star sales rep.

Sometimes customer referrals, working with analysts, and intelligent use of partners who would benefit from shared revenue can drive sales. Be careful with partners, as this can drain a small company's resources fairly quickly and be a distraction. Also look to grow revenue via professional services/support teams who can be trained to sell additional value to existing customers.

I think the question really being asked is how do you transition from a lifestyle company to a corporate culture to facilitate growth. Charismatic founders are often times just that - passionate about what they do but lack business acumen to grow the business.

Star salespersons are often times linked to the charismatic founder and in small companies are often being looked after individually versus looking at managing them inline with what's right for the company. They often times derail progress because everyone wants to be part of the 'win' so when they need something, everyone swarms fostering a mentality of a one deal focus which puts pipeline growth in jeopardy.

Through determination alone you can get somewhere - but it's getting to that next level and beyond that requires skill, knowledge and experience in certain aspects of the business. In order to scale companies need strong, disciplined, and accountable leadership.

It is common to seek change in sales and marketing but focusing on other areas of the value chain can accelerate revenue growth directly and indirectly.

**R&D:** Sustainable competitive advantages are typically created in R&D. Key product differentiation starts here. Protect IP to block competition and gain competition's market share. Consistent innovation will make you stand out above the rest.

**Product & Production:** Leverage network effects. These products eventually sell themselves once the network is big enough. We use Facebook because all our friends are on Facebook. Create strategic points of integration where the value created by the integrated solution is greater than the sum of each part. Design for intentional switching costs. In some cases, divide a product into multiple products to win more new customers with shorter sales cycles. This can create more momentum and customer references that drive additional sales

Create customer loyalty with perfect customer service.

Two areas jump to the top of my list.

1. The key is customer experience. The most successful companies grow "virally", by word-of-mouth or by "I gotta have that" demand. When customers engage and buy from you, they should be impressed with the level of ease, automation, quality, professionalism, etc. thus making them loyal promoters of your product. So, go through the "purchase and install" process anonymously and critique the day lights out of it. Why does process x take 15 minutes? Why is process y such a hassle? What can be automated? What can be added that would be "cool" or impressive? Why would someone choose to do business with my competition?
2. Competitive advantages - what are they? How will they change over time? What can we do to strengthen them? Review these questions constantly and make sure the leaders of the company agree on the answers.

First, capture the essence of how a charismatic founder and star salesperson focus on the buying signal signs given off by a prospective customer at different phases of the buying cycle. Attempt to systematize the inherent methodology they use. Take that methodology, or core set of sales principles, and apply it across a range of channels the company uses to reach its set of customers. Each step on the sales process should have metrics applied such that both the channel used and the message given can be tuned to optimize sales performance results. Sales principles should also contain strategies and techniques to overcome traditional sales objections. The key to ultimate leverage of charismatic founders and salespeople will be based on solid content and process, but reflected and presented with the flair and style that's consistent with and reflects the culture of the company itself. A methodology applied correctly will dramatically improve a sales team's performance.

By incorporating all employees as part of the "sales" team. Giving them ownership and encouraging new ideas.

Depending on the business there are a few ways to achieve this. All of them depend on making sales more process driven and less of a heroic immeasurable activity

1. **The 80/20 rule:** 80% of the activity done in any sales cycle is repetitive (i.e. the same from customer to customer). Write those down and figure out ways to automate it. For example, instead of phone conversations with every customer, implement a chat tool on your website to handle simple questions in real time.
2. **Use Internet marketing to shorten the sales cycle:** Everything from free previews to blogs to social engagement to nurture marketing can be used to inform the first time customer so that either they self close or the effort required to close them is reduced.

3. **Make repeat sales easier:** Engage customers in your operational communications so that up-sell and repeat sales require much less effort than a first time sale.

Sales expertise must be backed by a sound marketing strategy and the charismatic founder most often will not have the skills to research or buy the necessary market intelligence and craft the correct strategy. Founders often are blinded by their perception of the beauty of their product/service creation, are unable to objectively look at the product, and don't understand that the market won't just rush to their doorstep to buy the product. They confuse sales with marketing and don't realize there is often a lot of work that has to go into positioning their product in the market before it can be sold. Also, friends and family must be kept out of key roles in marketing and sales, unless they are highly capable and hard working in the position they hold.

Revenue growth can come from both existing customers and new prospects:

- Existing customers
  - Listen to and implement industry specific solutions as existing customers are the best source of information. This will expand license usage within their division with the possibility of expanding to other divisions.
  - Encourage them to become reference customers for other prospects.
- Prospects
  - Leverage service companies as partners around the globe and make them the secondary sales channel.
  - Brand recognition / speaking engagements through marketing / tradeshow / conferences etc.
  - Become part of industry leading research organizations such as Gartner, Forrester etc.
  - Publish success stories where possible.
  - Demo platform / look and feel / ease-of-use - built for ALL Roles in the organization.

A key test for any startup is the answer to two questions - can someone other than the CEO sell the product, and can someone other than a cofounder onboard the client. If the answer to either question is no, then you can't ramp, and aren't ready for real capital.

So, fix the things that make each deal a consultative sale. If the customer has to be part of the spec, you aren't ready. Standardize & package; make sure what you say during the product sale aligns with what the contract says, what the business plan predicts, and what the customer actually wants.

If a salesperson can't 'let go' after the sale, but has to be involved in most steps of onboarding the customer, you aren't ready. In a small company, salespeople may have to put on the onboarding hat, but be sure to separate the sales and onboarding processes early on so that as you grow, the salesperson can hand onboarding off in a clean way, allowing them to spend most of their time dragging more meat back to the cave...

Get a scalable, sellable offering and set up inside sales that feeds above average sales people/ account managers.

Telephone 214.750.1590 Fax 214.750.1468

[Forward email](#)

