

Transcript TLDR: Mark Leslie, Silicon Valley Go-to-Market Legend, on Starting Greatness w Mike Maples Jr of Floodgate

Learnings from a 2-part series

<https://greatness.floodgate.com/episodes/mark-leslie-interview-with-a-silicon-valley-legend-part-1>

1 August 2022

<https://greatness.floodgate.com/episodes/mark-leslie-silicon-valley-go-to-market-legend-part-2>

22 August 2022

Also had 2 accompanying episodes of takeaways, called Lessons of Greatness

<https://greatness.floodgate.com/episodes/lessons-of-greatness-the-sales-learning-curve>

1 August 2022

<https://greatness.floodgate.com/episodes/lessons-of-greatness-leslies-compass>

22 August 2022

Sajith: Mark Leslie co-founded Veritas Systems in the '90s, which reached 6,000 employees and \$1.5B in revenues in a decade. A lecturer in management at the Stanford Graduate School of Business, Leslie is a leading expert in startup go-to-market strategy. In this two-part series with Mike Maples Jr of Floodgate, Leslie discusses his well-known Sales Learning Curve, the lesser-known Leslie's Compass, a framework for understanding if your org is sales-first or marketing first, and a range of topics including the role of the CEO. I have extracted the key learnings under these three concepts below.

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Sales Learning Curve

Sajith: Similar to the Manufacturing Learning Curve, Enterprise GTM too has a Sales Learning Curve. Startups get far too excited when they see initial sales offtake and ramp up their sales org far too quickly. It takes time for the startup sales org, and the wider org, to learn to support sales efforts better.

There are broadly three phases in the [Sales Learning Curve](#), says Mark Leslie. These are Initiation, Transition and Execution. The initiation phase needs a specific kind of salesperson – the renaissance salesperson. The last stage needs a different kind (similar to infantry in the military, he says).

Details on the three phases of the Sales Learning Curve and the type of sales people suitable for each phase along that.

Mark: So the initiation phase is - it's the land of mysteries. I recommend hiring three salesmen in this phase. If all three of them are successful, that's the data point. If all three of them are unsuccessful, that's the data point. But if you have another mix, at least you have two and one and you can kind of say maybe one's an outlier, right?

Either success or failure. I always recommend to not hire many people, but to hire at least three. **I recommend that it's a different sales person that you hire, which I call a Renaissance salesperson, someone who not only knows how to qualify a customer and make an argument for closing, but someone who really understands and can go out to understand the technology and talk to engineering.** They're resourceful. They're specially talented people and unique. They are the people you need to go get a beachhead. “

(Sajith: Ideally the founder should be the key salesperson in this phase (Pete Kazanjy, Founding Sales) and s/he is best placed to be the Renaissance salesperson)

Mike: So I suppose that where some companies then get in trouble is they misinterpret demand from their customers as progress down the sales learning curve. So they say, hey, let's go. This is a land grab. Let's go hire a bunch of salespeople. The company actually is not yet trained to provision a salesperson to succeed. So, OK, so that you got the initiation phase and you're trying to get to revenue per rep equals their fully loaded cost. And you want the sort of Renaissance type of salesperson.

Mark: The Renaissance guy is someone you start the company with. And if you're a successful company, they won't be there. They're going to be onto the next campaign someplace.

Mike: Then the transition phase, you get to this traction point. So how do you think about the transition phase and then what are the exit criteria for that to get into the execution phase?”

Mark: And the transitional stage really has to do with measuring how you're doing on the sale learning curve relative to your cost of the salesperson. So you have a fully loaded cost, which is the salesperson, his compensation and his incentive compensation, the systems engineer, and then the proportional cost of the manager and all the overhead costs that go. Then we say this guy today, I'd say that \$800K for the enterprise sales rep. And the question is, when is this person going to sell \$800K worth of contribution margin individually, meaning, you know, a net of cost of goods? When is he going to get \$800K of contribution market? And that's the point of breakeven. We haven't made a dime yet. All we've done is pay for that salesperson.

That's what you want. And once you get past that, that's when you can start hiring in earnest once you get to this case, a million of contribution. But up until that point in time, you have to be very thoughtful about doing it because the cost of it, as we all know, the cost of going to market with enterprise sales sources is unbelievably expensive.

However, if you really want to go to war, you need the infantry, which is the last phase, right? The infantry is run by a process. It's run by systems. It's run by the procedure. It's run by a management structure. And that's what a big sales force is a sales factory. It's run by processes and by operations and by systems and procedures. It's not run by inspiration. It's inspiration, too. But that's not the way you run it.

Mike: Then I suppose that in the execution phase, your revenue per rep is now at or greater than equal to their desired quota. And so now you can effectively hire it well, as long as you can hire people who can achieve that.

Mark: That's the time when you hire the Oracle salesman and the EMC salesman who requires sales support and lead generation and product definition and competitive analysis. And if you give them all that stuff and give them a little bit of a quota, they'll be successful. But if you put them, if you take one of those guys and drop them into a Renaissance sales lot, they'll fail. And then you'll get false information back from that.

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Roles and Responsibilities of the CEO

Mark: Your instincts as a CEO, when you start out is to exercise the muscle that you have developed, which you're probably not competent to do. What I discovered over a long period of time is that the CEO actually doesn't do any of those things.

I had a very interesting experience early in my career. I was CEO of a young company and we fired the CRO, in those days called the VP of Sales. And I said to my board member, I said, well, I'm going to go do that job until further notice. And he said, well, that's a great idea. He said, my question to you is while you're doing that, who's running the company? And I thought that was really good insight. So given that, so what does the CEO do? So he doesn't do sales, he doesn't do finance, he doesn't do engineering, he doesn't do any of those things per se. Of course, he knows about all that and he of course coordinates all that.

First of all, this job of leadership I described from a CEO point of view, I described it as macro leadership and micro leadership. Macro leadership is talking to the whole company and the external world, evangelizing a vision, inspiring people about the company, being responsive to the needs of the community, internal and external, et cetera. Micro leadership is how do you forge an executive team that has internal trust and has agency to represent the company's interest in all cases. And that's actually a different challenge and one which I think is exceedingly important. And it's not micro management, right? There's... No, no, no. I call it micro leadership, meaning micro meaning in a small group rather than in the large world.

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First of all, **I have a deeply held conviction that what makes a company successful is great strategy, not great execution. So execution without strategy, the trains run on time, they don't go anywhere, they go in a circle. Great strategy allows you to transform your company.** It allows you to do great things competitively. It allows you to think about where to from here and how we're going to get there. And I think that is a thing, my experience is that that's what makes a difference. But in order to have strategy, you have to have vision. In order to have vision, you have to have a, it

has to be there, there. There has to be something in the future. And I use five years as my timeframe to think, who are we going to be in five years? What does that look like? And for me, that becomes like a shining star, a North star in the future. And it's my belief that all those decisions I described along the way, all those activities I described along the way, are actually informed by this five-year vision.

So when I make a decision to spend time on one thing or another thing, one of the things I think about these days, even unconsciously is, does this move us closer to our five-year goal? When I make operational decisions, what are we going to develop in engineering? Does this move us closer to who we hope to be in five years from today? And so I think that's the great lesson that I walked away with it, that strategy trumps execution. Strategy relies on long-term vision. And that long-term vision, when you have it clear in your mind, and of course I evangelize in the company, that informs all of the decisions and activities along the way.

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And my personal criticism of people who are great operating executives, quote unquote, great execution people is that they basically say, how do I make this wheel continue to turn at the same speed or greater, rather than saying, maybe I need a different wheel. As the person then who needs to step five years into the future and then have that in, because when you think about it, it's a great thought experiment for everything about who to recruit, what markets to be in, are we doing the right things? It has a way of focusing the mind. Did you find that you did need somebody who all they care about is making the trains run on time, right? No, no, you need people in companies to do that because the trains have to run, it's not perfectly on time, relatively on time, things have to go off the tracks. But that is not a job of leadership, that's a job of operational excellence, which is part of the thing you aspire to do.

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Leslie's Compass

Sajith: Leslie's Compass is a good GTM framework consisting of 7 questions to ask, in order to determine if your GTM motion should be sales-led or marketing-led, i.e., whether it should be pull v push. Details of the framework including the 7 questions.

Mike Maples Jr: When a startup product goes to market, the two key muscles it can flex are marketing and sales. Most startups know this intuitively, but the compass suggests that marketing and sales are counterbalances. In nearly every facet of a startup product, marketing or sales takes the natural lead in getting the product to customers. This shouldn't be a political question or about playing favourites. It's a question about the dynamics of the product market and target customers to be served. Startups often pour resources into sales and marketing in unfocused ways because lots of ideas for going to market sound good. Leslie's Compass is a simple set of heuristics to bring more clarity and focus to your strategy. **At the heart of the framework and**

a startup's go to market strategy is a key question. Is your product marketing intensive or sales intensive?

To illustrate how the framework addresses this, Mark examines two extreme examples, Procter & Gamble's Crest toothpaste and General Electric's jet engines. Key to the compass is a crucial set of variables to hash out. Crest is an extreme example of a marketing intensive product. It's low cost, it's bought by millions of consumers, simple to operate, has a high fit and finish, and it's ready to use immediately after purchase. And although Procter & Gamble would like lifetime customers for its toothpaste, it has a very low switching cost and sometimes even a coupon can influence an individual purchase decision. Have you ever met a P&G sales representative who's extolled the virtues of Crest versus Colgate? Of course not. To succeed as a product, Crest must deliver a product that is bought rather than sold.

The GE jet engine typifies the sales intensive product. The engine's price tag is in the millions of dollars. It's sold to about a hundred airplane manufacturers and requires extensive engineering and customisation after the sale. It's the ultimate selling experience because it's a design win. Jet engine manufacturers spend a long time building the products and defining and fulfilling contracts in a very high touch way. It's not surprising you'll never see a GE jet engine offered for sale at Walmart or at the supermarket. To win, GE must acknowledge that jet engines must be sold. Many startups would prefer to offer a product that's bought like car insurance rather than a product that's sold like life insurance. But this is where founders sometimes get trapped. The market doesn't care what your preference is. I've met many startups that say, we want to go to market like Google. We want a product that's bought. They don't want to hire a big sales force. They want customers to engage their product in a self-service way. This is great because it lowers sales costs and marketing costs. And don't get me wrong, high margins and low go to market costs are fantastic. Google has a great business. But if you go to market this way with a product that is hard for the customer to understand, deploy and use entirely on their own, you'll most certainly fail. After all, you can't let the elements of your go to market compass be misaligned and inconsistent.

Your product's go to market strategy should reflect what it takes to optimally get distribution of your product, which is where the seven product variables of Leslie's compass come into play. The seven variables are related to price, market size, complexity, fit and finish, business versus consumer, and the scope of the customer relationship. In each variable of Leslie's compass, marketing and sales are counterbalanced in how you think of resources and focus. The less marketing is harnessed to bring a product to market, the more sales must step in. If sales is not driving the go to market strategy, the more marketing must. In nearly every case, either marketing or sales takes the lead in getting the product to customers. Both can play a role, but one is the principal driver.

So let's talk about the key questions and variables Leslie's compass asks to tease this out.

Question one is about price. Is this a large or small economic decision for the buyer? You can't afford to sell a \$2 tube of toothpaste. The total cost of a typical sales rep wouldn't support it. No one goes door to door saying, let me explain the benefits of Crest over Colgate. But on the other hand, say you've got a jet engine that costs \$100,000 to build and you need to sell it for more than a million dollars. Now you're in a sales intensive go to market motion. You must explain to the customer how they will get a return on investment using your product relative to their alternatives.

Question two is about market size. Is it easier for them to find you or for you to find them? In Leslie's compass, market size is determined by the number of potential customers rather than the revenues generated by the market. For example, billions of people need toothpaste, but less than 100 airframe manufacturers are shopping for jet engines.

In our interviews, Mark mentioned that Veritas' original product was an operating system component that the company sold to systems manufacturers as part of their Unix operating system. At that time, there were roughly 100 systems manufacturers. So spending money on ads or on mailing lists didn't make sense. A better strategy was to go to the industry shows because it was easier for Veritas to find customers by finding them there.

Question three is about complexity. Can a customer self-serve to use the product or is education required? When it comes to the level of complexity, some products are effortlessly simple while others require education, manuals, and customization for customers to get utility. Jet engines are composed of complex and varied components while operating a tube of toothpaste is completely self-evident. SAP enterprise software can take hundreds of people years to implement. As a complex product, it has to be sold. Ride sharing apps like Uber and Lyft are supremely simple for the consumer. We all remember the first time we opened the app, figured out how to request a car, and watch it come to us on the map.

Question four is about fit and finish. After all is designed, built, and shipped, is there still much more for the customer to do? As toothpaste literally comes out of the box or tube, by definition it has a high fit and finish. But when a jet engine is purchased, that's just the start. It has to interface with other parts of the plane. Some products are highly complex and need a high fit and finish. For example, a Tesla or any other car for that matter. All you need to do is turn your key and press a button to start it, even though it's a complex feat of engineering. This is why fit and finish is not the same as complexity.

Question five is about business to business versus business to consumer. Am I predominantly selling directly to people or companies? Each requires its own type of relationship, but it's key to note that it's a variability question and not just a volume question. The vast majority of people need toothpaste, but the vast majority of businesses do not need a jet engine.

Question six is about your customer relationship timeframe. Do I measure successful customer relationships primarily by transactions or longevity? This question gets at the nature of the relationship with a customer. Do you expect to have a long-term relationship with increasing revenue over time or more transactions with increasing frequency over time? Though there is the issue of brand loyalty, there will be hundreds of tubes of toothpaste bought by a customer over a lifetime. Given that jet engines last many years and there are roughly a hundred manufacturers, there are orders of magnitude fewer deals per year. The longer the lifetime of the relationship, the more consideration goes into how I deliver and sell this product.

Question seven is about whether your relationship is high touch or low touch. Linked with customer economic lifetime is whether the product requires high touch or low touch selling. Selling jet engines often requires a design win, a very long complex technical campaign that results in many sales over the years-long lifetime of a particular model. It requires relationship building and may be worth billions of dollars over 20 to 30 years. Low touch sales don't require the ability to land and expand or customize sales according to the relationship. It takes little history to buy the same or different toothpaste.

So what does this mean for you? How can you use Leslie's Compass for your startup? If your answers to the seven questions align with the marketing side of the topics, marketing should take the lead with the go-to-market strategy. If the vast majority of the answers align on the sales side, sales should take the lead. If you're marketing intensive, such as with Crest toothpaste, the product is bought. If it's sales intensive, like with a GE jet engine, the product is sold. If you are marketing intensive, then marketing has primacy and sales serves marketing. Marketing generates the demand. Its campaigns create a strong enough appetite that people buy the product on their own. Sales serves this effort by lining up distributors, retailers, and merchandisers so the product has a place where it can be found by buyers.

Back to the example of Procter & Gamble, one of the most highly valued jobs there with the greatest upward career prospects is that of the brand manager. If you're sales intensive, sales has primacy and marketing serves sales. Here marketing's responsibility is to provide enough qualified leads to the sales organization. They manage various lead sources through an organized pipeline structure, and they create programs to find and attract prospects. The heart of the organization's success is for the sales team to convert a qualified lead to a customer win. If you are roughly evenly split among these seven variables between sales and marketing, you likely have a focus problem. You might be letting your desires for a certain go-to-market strategy cloud your judgment about the best fit strategy that aligns with the realities of your startup's product and market characteristics. So the question I will leave you with is, do you have a product that should be bought or sold? And what does the answer mean for you when it comes to focusing your go-to-market strategy?

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Sales Weaponry

Mark Leslie: So I was in a B2B enterprise company when I was an entrepreneur and it was definitely marketing serves sales. And we did a couple of things that were kind of fascinating one time and unfortunately fascinating in a very reality sandwich kind of way. One time we did this thing called a sales weaponry review and we took an inside salesperson, we took an account exec, we took a marketing communications person and then we asked the inside salesperson, show me how you present the product. And they put up the slide deck that they use and it looked terrible. And marketing folks were like, well, that's not the deck that you're supposed to use. And it was like, no, just keep going, let him show the deck he uses, what he says. What's your elevator pitch? Here's my elevator pitch. That's not the elevator pitch that you're supposed to use. And then we went to the AE and said, what deck do you use? That's not the deck you're supposed to use and that's the old look and feel. It doesn't even match the new look and feel. And then the guy goes, and by the way, when are you gonna give me this data sheet I need? And we're like, well, we already have this data sheet. We sent it to the office. It turned out they were sitting in a box unopened. Totally.

And so you start to realize, right, when marketing serves sales, it doesn't matter that you just did a program, right? What matters is what sales outcomes are facilitated by your efforts to revision sales. Yeah, so the most important measure that a sales organization puts on marketing is the quality of the leads. If you give me leads, then I can go get an appointment and go close a deal and I love you. And if you give me leads that I have to go sort through, you know, gotta go kiss a lot of frogs before I find a prince, then I say, this is bullshit. Why are you wasting my time? And that's kind of what we learned when marketing serves sales, the fundamental economic equation was high quality leads generated faster than our revenue growth forecast.