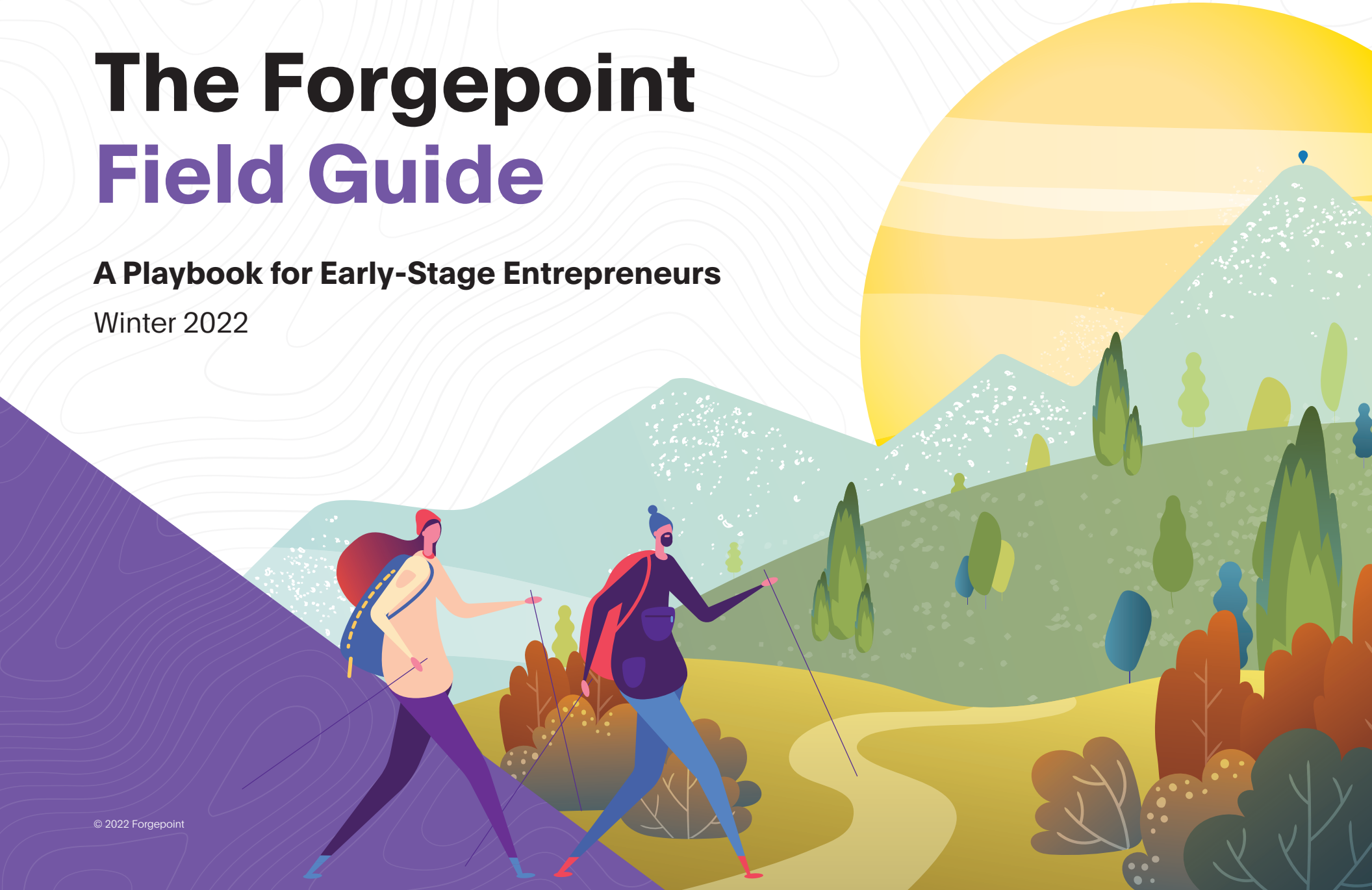
FORGEPOINT

The Forgepoint Field Guide

A Playbook for Early-Stage Entrepreneurs

Winter 2022



Every year, over 300 million startups are created globally. Yet 90% ultimately fail. There's no doubt that starting up is hard. The entrepreneurial journey takes invention, innovation, creativity, technical aptitude, focus, grit – and so much more. In 2021, I started the Forgepoint Field Guide, an interview series focused on early-stage company building, to share guidance from seasoned founders, CEOs, and industry experts on the paths they've taken and what advice they'd give after growing and scaling their startups to successful exits.
From our conversations emerged this playbook of playbooks, which we'll continue to augment with new interviews on a quarterly basis.

Special thanks to Carolyn Crandall, Jon Gelsey, Karl Sharman, Mike McGee, Steven Pataky, and Tanya Loh for their insights and support.
Questions or comments? Drop me a line at cqian@forgepointcap.com.

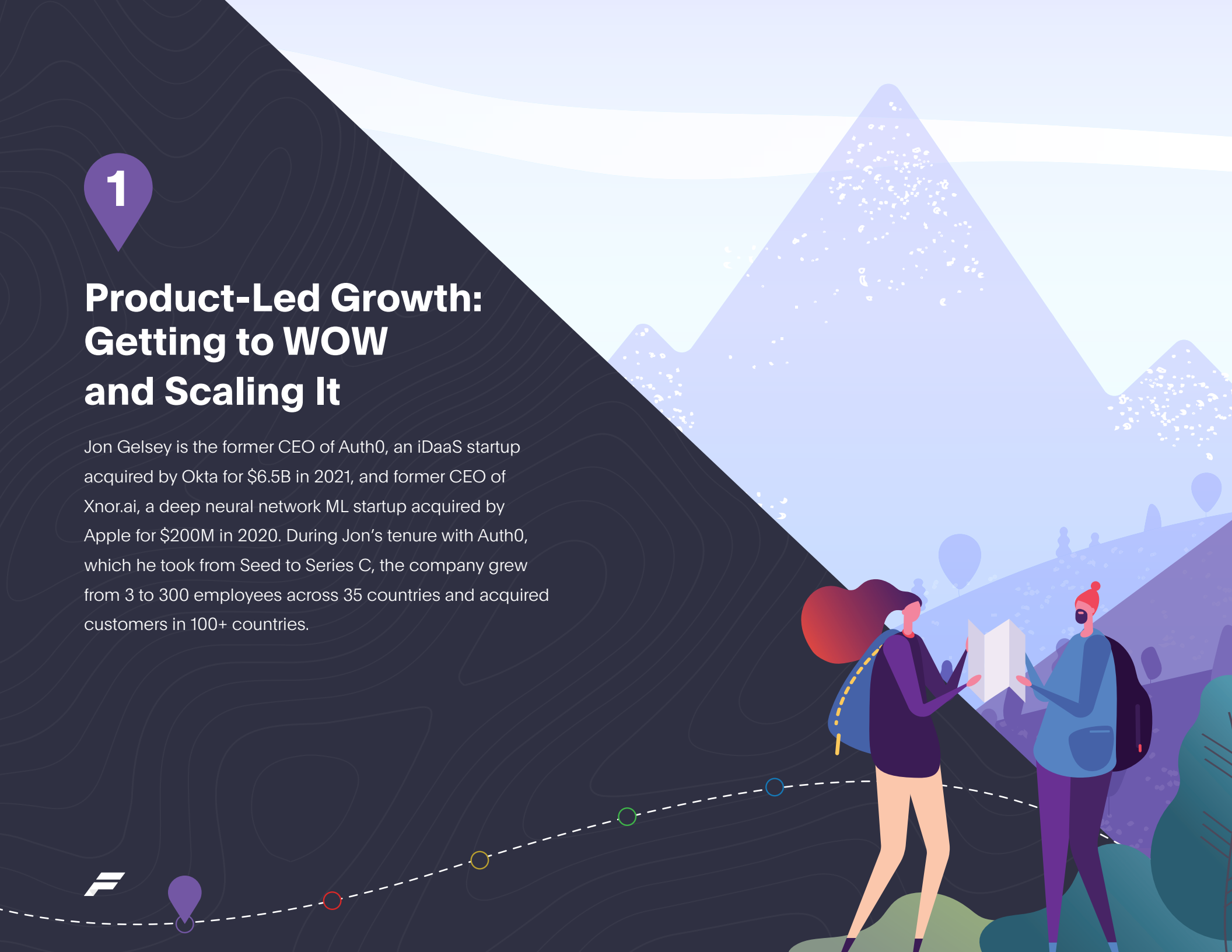
Connie Qian
Forgepoint Capital

Table of Contents

1

Product-Led Growth: Getting to WOW and Scaling It

Jon Gelsey is the former CEO of Auth0, an iDaaS startup acquired by Okta for $6.5B in 2021, and former CEO of Xnor.ai, a deep neural network ML startup acquired by Apple for $200M in 2020. During Jon's tenure with Auth0, which he took from Seed to Series C, the company grew from 3 to 300 employees across 35 countries and acquired customers in 100+ countries.



Jon, thank you for joining us today for our Field Guide for founders leading early-stage startups.

You helped Auth0 during the most critical stages of a startup's formation by applying a robust product-led growth strategy. How did you do it and what is "Time to Wow"?

Product-led growth allows you to scale lead generation much more quickly and less expensively than traditional marketing approaches. There is a myth that PLG means you don't need an enterprise salesforce, but that's not accurate. Instead, PLG when done right is an inexpensive way to generate high-quality leads for the top of the sales funnel.

The two most powerful marketing techniques are the "free sample" and the "recommendation by a trusted friend." PLG automates these techniques to a great degree to initially generate leads, then allows for automated qualification of a lead through behavioral signals—so that a human salesperson gets involved at the time the lead is demonstrating a reasonable likelihood to buy.

Content marketing (done right) is the key to a successful PLG strategy because quality organic content generates great SEO for likely queries about your product. Great SEO is probably the single most important PLG metric; it means your content is useful and authentic, and that web sentiment is positive. Great SEO "automates" the "recommendation by a trusted friend" pillar of PLG, so that Google becomes the trusted friend in your prospect's early discovery and evaluation.

Another super important aspect to implement—in addition to your content marketing strategy, as well as a critical pillar on its own—is the "free sample" with a short "time to WOW" when first tried out. Think of it this way: Google SEO generates the motivation to check out your product because trustworthy sources are saying nice things about it, so you must allow the prospect to be impressed by the product quickly, which means without the friction and loss generated by a "Contact Sales" button.

"Time to WOW" means how quickly your users experience a rush when they sign up and try your product for the first time, and achieve something in a few minutes that typically might take hours. The goal is for users to think to themselves, "last time I tried to do something of this complexity it took hours or days to get it running, not 10 minutes!"

Examples we looked at when we started Auth0 were our first experiences with Stripe or Twilio. Their quickstarts let you send an SMS or process a credit card payment in 5–10 minutes of configuration and coding. There's nothing like a short "time to WOW" to convince a sophisticated, cynical buyer it's worth spending more time to further evaluate your tool.

How did you translate developer traction into an Enterprise Sale?

Well, that's maybe not quite a holistic way to think about it. When you are selling a piece of enterprise infrastructure, the actual users like developers, or DevSecOps engineers, or SREs are one side of a super powerful economic motion called a two-

"Another super important aspect to implement—in addition to your content marketing strategy, as well as a critical pillar on its own—is the "free sample" with a short "time to WOW" when first tried out."

sided market. It's comparable to how credit cards are a two-sided market, because you decide which card to use at a merchant, but that merchant pays the MDF fee to the bank.

If PLG is done right, the actual users—the developers or SREs—are the decision-makers, and the CFO or VP of Engineering pays. This is an awesome phenomena when you see it in action, and it allows you to sidestep the bottleneck of you having to convince the senior executive to buy—because the developers who want to use your product convince the buyer instead.

"When your sales people are too busy and aren't following up on leads, it's time to scale sales."

BTW, it's important to offer the entire product for low usage as part of the "free sample", so the evaluator can actually see how powerful the full feature set is. At Auth0, we had the philosophy of "we don't make money until you make money" so offering the full feature set for low usage (or some other proxy signal for non-production use) worked awesomely for us, and made the transition from free to paid, like non-production to production use, to happen sort of automatically.

How did you think about growth and prioritization across the business (e.g. product, people, traction/revenue, and when to fundraise)?

If you have the ability to be more predictive, that's great, but usually it's when you're feeling pain that you do something about it, and that's a fine heuristic to use. When your salespeople are too busy and aren't following up on leads, it's time to scale sales. If your sales team isn't getting enough leads, it's time to scale marketing. If your planned feature list is getting too long, it's time to scale engineering. Hopefully you'll see the trend that tells you to start scaling before the pain gets too bad, but a little growing pain is better than overprovisioning a team and then having to cut headcount 6 months later.

There are a few areas where this does not really apply, like a CEO should never ever shortchange on security. When you get hacked, and everyone will be these days, you'll want to have minimized the blast radius and to be able to publicly explain in detail how you had followed best security practices to try to prevent the attack in the first place. If you fumble security, and set yourself up to fumble the PR response when you eventually are hacked by not having best practices security, it can be an existential risk for your company.

Another item not to shortchange is marketing experiments: you have to continually experiment with marketing tactics because you don't know what will work for you, or whether something you tried before might work or not work now because you're a different company than you were 6 or 12 months ago. And if you don't experiment to scale your lead generation, it will generate future pain that will take a while to recover from. So do as many low-cost tests as you can in the form of actual scientific-method experiments—a falsifiable hypothesis and solid data gathering methodology—to guide you on where to invest more.

How did you set the pricing strategy and evolve your terms over time?

Pricing is the hardest thing I've ever done and I'm confident I was always wrong. All you can do is experiment, especially if the market has not already set a price. Don't think that just because, say, AWS prices a certain way, you have to. We charged primarily for usage at Auth0-first order scaling was on usage, then second and third order was on feature upsell. If you are not selling a commodity, comparables are not necessarily the best way to do pricing, because you are selling something different and hopefully more valuable than the other company that describes their product the same way as you do.

Tell us about your support infrastructure and extensibility. Auth0's CSM team was empowered to build custom features for large enterprise customers?

A massive, massive secret weapon of Auth0 was "Auth0 Rules", which allowed our salesforce to never have to say "no" to a feature request from a

customer. A "Rule" is a snippet of code that runs in a secure, isolated serverless environment to customize the authentication transaction and/or retrieve additional metadata to enhance the user object. We made it a point of letting JavaScript be our DSL for these snippets, since everyone knows it and there are a wide array of developer tools available for it.

(An ex-Auth0 VP Engineering, Tomek Janszuk, invented this Rules architecture, and has actually started a company Fusebit.io to offer extensibility as a service!

The cool thing about having extensibility built-in is that it allows new features and functionality to be created without any changes to core code. Since every enterprise has a different and often messy identity environment, extensibility was the path for allowing our customer success engineers to write a new feature, or for the customer to do it themselves.

This allowed us to win deals more quickly, to scale faster, and to let the customer success engineers have fun. It also turned out that extensibility was also awesome for product management, since popular rules would be strong signals for what new features to add to the core product.

How did you take a dev-focused solution to VCs who often look for more traditional SaaS monetization models and metrics?
We actually never aggressively took Auth0 to VCs, because our PLG way of marketing generated the web buzz necessary to entice them to come to us. And then of course when they came in the door, we simply led the conversation with our awesome PLG-driven financial statistics, which usually pretty quickly generated a funding offer.

Of the learnings from Auth0 that you brought to Xnor, what didn't work?
I found that PLG works best for a commodity offering, not a bespoke offering. When we started Auth0, there were 20 companies offering auth, or you could write it yourself. Everyone understood what it was, they just hated implementing it. Since they understood auth well, evaluating Auth0 through our content marketing and free sample was a task most engineers knew how to do well.

Conversely, with Xnor, we were selling ML models that give you a probability score that the pattern you're looking for is there or not. Most people then—and probably most engineers now still—don't know how to build a good ML model, or how to evaluate them. Since evaluating ML is still a difficult art, evaluating Xnor's offerings versus others was harder for ordinary engineers to do.

How do you compare and contrast scaling DevOps vs. Cybersecurity (or DevSecOps) startups using PLG?
PLG tends to be more effective when selling to someone who has been granted unilateral decision-making authority for an implementation because the downside risk to suboptimal decisions is low. "Bob the developer will pick the auth component, but if it turns out he picked a bad one, its problems will show up in testing or after we're in beta, and then we'll just rip it out and replace it with a better one."

But an offering that has implications enterprise-wide and therefore high downside cost tends to have a committee deciding on it, because for example, a bad security decision can create an existential risk to the company. Cybersecurity tends to be a sale to the security team to help them implement a high risk/high reward security strategy, so tends to require a more traditional relationship selling motion.

Similarly, the acquisition of your offering by a DevSecOps team could also be viewed as high risk and hence harder to promote via PLG, as perhaps the wrong offering could take the entire enterprise offline.

Jon, you advise multiple startups. What's one piece of wisdom you'd like to share with fellow or future entrepreneurs?
Don't be afraid of taking on the CEO role because of imposter syndrome. It's an experiment where you test yourself to see how far you can stretch. You're unlikely to be any worse than someone else and may even be tremendously better.

Also, life is uncertain, so carpe diem.
Enjoy the day!

This article was originally posted on the Forgepoint blog.

2

Marketing Success: The Art & Science of Category Creation, Differentiation & Deception

Carolyn Crandall is the Chief Security Advocate and CMO at Cymulate. Prior to Cymulate, she served as Chief Security Advocate and CMO at Attivo Networks, a Forgepoint Capital portfolio company. Over a 7-year journey, Carolyn spearheaded marketing efforts from the creation of "deception" and "identity threat detection and response" (ITDR) as product categories all the way through to Attivo's recent acquisition by SentinelOne. Prior to Attivo, Carolyn had over three decades of experience leading GTM initiatives and scaling enterprise infrastructure companies including Cisco, Juniper, Nimble Storage, Riverbed, and Seagate.

Carolyn, thank you for sharing your perspectives in our Field Guide for founders leading early-stage startups.

Congratulations on all your career success, most recently with Attivo Networks! It's such a challenge to break in with a new product category, especially for a startup. How did you think about category creation and capturing attention from your target market?

When we were just starting out, there wasn't a category for what Attivo did. The closest thing was "honeypots" which actually brought some baggage since people thought they already knew what those were and often discredited them. We had to establish a new definition into the market around "cyber deception" or "distributed deception platforms". Nobody was discussing the merits of these topics, and so we needed build awareness so people could learn about our category and get into analyst research so that they would help validate it. Educating the analysts – especially groups like Gartner that are constantly talking to end-customers – was very important for us. Anyone attempting to create a new category will need to rally the market around what it is and why it matters. It definitely takes more energy and creativity than releasing a next gen better, faster firewall.

As an innovator, you can do one of two things – you can let the world set the narrative or you can set the narrative. We chose to set the narrative, to define the category and then demonstrate our leadership within that category. Any company trying to disrupt what has been done before needs to get out there and help people understand what they're offering and why it matters – all the added benefits and capabilities. As you are doing this, it's also important to put hooks in so that you can position your company as the leader. This can also be useful for the when prospects think about their needs, and you have established a checklist of requirements that includes certain things that only you do. If the customer says, "I need these five things and Attivo Networks is the only company that has all five things," you can get to the top of their vendor consideration list or even avoid them talking to anybody else.

You mentioned PR as being a key part of category creation and brand awareness. How do you find the right PR partner to help?

There are so many different PR agencies out there, so I like to ask these five questions:

1. How well do they know the space? Especially for a technical market, it's going to be really hard if they don't already have the credibility and contacts in the space and are trying to break in. Some of my favorite qualifying questions are "How will you invent or reinvent the market for us?", "Can you give me an example of a pitch that you gave and what success looked like?"

2. What is more important to you – technical press or business press? Both are important, though your needs will likely shift over time. If the only thing that matters to your company is business press, then you should pick a partner who has effectively leveraged those relationships. Though keep in mind that business press doesn't typically talk about technology and if you are trying to educate the market, getting traction with technical press may take precedence. Asking for a media list with ratings on their relationships with the journalist can also be insightful.

3. Does the PR firm have an established program that caters to your specific needs? For example, do you want more than press releases and briefing people, e.g. is there a rapid response or byline program behind it? What about blog and social media support? Each of those things could be weighted differently, but it's good to understand what it is that you want. It is also important to understand how you will measure success for your programs.

4. What is your chemistry with the team and how equipped are they to deliver? Chemistry is a big thing because they are an extension of your team, and they need to be aligned with the style of your company. You will get out of the relationship what you put into it. For example, if you think, "Great, we've signed you – go do something for us!", you'll likely be disappointed with the results. Conversely, if you have ongoing regular communications and engagement, your agency will also spur new ideas or angles for a pitch.

5. And finally, ask your prospective PR partner how they will communicate with you: How will they track coverage? Share of voice? Industry and competitive news? Briefings? Rapid response? Social media engagement? Brand sentiment? Awards? Bylines? And more…How often do you need them to report and do you need board reporting?

Marketing works best when you're creating leads and generating demand that drives sales. What are some success factors that you think about when it comes to sales alignment?

From my experience, this comes down to driving a successful account-based marketing (ABM) experience in two ways:

One is top-down. The sales team gives you a list and says, "These are the customers I want to get into right now." There you can do very targeted ABM programs around key prospects, but that's going to involve sales telling you who they are and continuing to refine the list while driving very customized and specialized experiences.

Now with Attivo we could have very easily taken the Fortune 500 or 1000 as our list. But that would have disregarded many companies that became early adopters of our product because they had pain points they needed to solve more urgently.

So, then you need ABM from the bottoms-up. That's where you start to look at who's surfing the Internet for keywords, who's looking for your competitors, and who's coming to the website. You need to prioritize and look at the patterns – who has the most propensity to buy and should be the first you engage. As funny as it may sound, you can overwhelm a sales team with too many qualified leads, because it can be very challenging to know where to focus first.

Let's say your campaign prompts an influx of leads but you don't have a plan for what to do with them. You won't get a lot of results in the end. You really need to build out a program for the end-to-end experience – optimizing what happens before, during, and after an event or activity:

- **Before:** You want to keep a consistent number of leads flowing into the pipeline. Think of this as a waterfall where you need a steady flow to keep the river flowing. Here you will want to work with sales to make sure you are targeting the right companies and buyer personas. Does the event have the right targets attending? Have you selected the right people to target and meet with? Did you send pre-event invitations or correspondence to targets? Did you create a plan to maximize engagement with prospects at the event? Is your event messaging clear and relevant? If I put my hand over your logo, would it be clear who you are and why your company is different? Are your sales development reps prepped for these leads to come in? Is the program set up in your marketing automation system so that you can score, forward, and reengage quickly?

- **During:** There are actions during an event that go beyond staffing a booth or table. Though, I can't stress enough the criticality of scanning leads or getting event lists so that you can get people into your database. Additional actions during an event can include having a targeted "hit list", social media promotion, meals, side meetings, experiences, and more.

- **After**: An "after" experience would involve ABM integration to aggregate and correlate your cohort data. It means nurturing leads and bringing them along your ideal journey to conversion and customer success. Steps to have in place include:

  - Making sure all leads are entered and processed quickly. Setting up engagement metric goals to ensure prompt follow up.

  - Event data is provided to the sales team so they can do a warm follow up call.

"If I put my hand over your logo, would it be clear who you are and why your company is different?"

  - Follow up includes a defined understanding of who gets a call and who goes to nurture.

  - The after program requires looking at the content you have and making sure that the nurture stream the prospect will get is aligned with the event, their interest, and the engagement level of that company.

Additionally, once you have a lead/company in the funnel, you start to look for shift or growth momentum such as ROI metrics – of everybody brought in this quarter, what happened to them? Did they drop out because we have a leaky bucket? Or did they go from intent on the Internet to engagement to highly engaged and then into our pipeline? Tracking these growth metrics will help you refine your program and fuel improvements.

Startups need to get from A to Z in the most efficient and effective way possible. How do you prioritize, especially in that middle stage where you need to invest in marketing but may not have all the resources you'd like at your disposal?
Everybody's out to do the same thing – trying to get the ears and attention of the CISO, CTO, or other top decision-makers. If you just do a little more or are a bit more creative or thoughtful in messaging, you can often cut through the noise. The worst thing you can do is to hammer people with too many things that don't resonate – that earns you the kiss of death for a marketeer – the opt-out.

As an example, we've done campaigns with both DarkReading and Cyber Risk Alliance. They've each had different themes and it would have been very easy for us to just collect the leads and check off the campaigns as completed.

However, I've always challenged my team with a Good-Better-Best strategy:

- **Good** is getting the leads, scoring them, and sending them to sales or into a nurture stream.
- **Better** is not only receiving the leads, but also repurposing the content that we had as part of that program. How do we repurpose or reuse a webinar recording? How else can we use the content from the program for more lead gen? Can we run a campaign using this content with our existing database? Can we leverage this for social media or search marketing?
- **Best** is enabling even more opportunities by bringing in partners. How can we leverage the existing relationships our partners have with these companies to drive a deal? How can we reuse the content and programs for additional activities with our partners?

If you consider the maturity of the funnel – what each cohort is thinking about when – you can curate the content behind it with blogs, training programs, case studies, vendor evaluations, or other things that secure your messaging in their mind. One campaign we did was rethinking endpoint with identity security. This created a cohort of prospects that were thinking about why Attivo and EDR – which helped pave the way for why Attivo and SentinelOne should be vendors of choice, and ultimately an integrated solution.

That makes sense, so you've got to figure out how you can get the highest ROI and create an action plan from there.
Yes! Have goals and always look at your metrics to see what's working, but don't be afraid to experiment. I love high impact programs that set my company apart from others. An example is our Hall of Mirrors RSA booth that we had put together to help drive the point on how disorienting deception can be to attackers. Our event manager Katie and I designed this booth from scratch by literally taping the floor in our office to create this one-of-a-kind design. Our CEO thought we were a little crazy. Were people going to think it was fantastic to see and experience, or would they think it was dumb? We planned to do it at one show, and if it didn't work, we would scrap it. Fortunately, it was a huge success and was so believable, we actually had to start putting stickers on the mirrors because people were running into them. We got on Fox News and BBC, and we were in Exhibitor Magazine's in a multi-page spread. And we got all this awareness for the company and drove our message impactfully because we did something creative and different.

Another year we did a wolf in sheep's clothing deception theme with a boldly themed and designed booth – including a flock of sheep sitting area. Additionally, we did a little wolf plushie with a hoodie that came over it (Attivo brand on the foot). Everybody wanted one because they were super cute. They were like $3 apiece and we had people standing in line to come to our booth. Not only were they all over the show floor, but we did a "name the wolf" game which got all over social media. We had people that were taking pictures of the wolf around the world, on skiing adventures,

on planes, in bars, etc. Creativity is really important to cut through all the noise that's out there, but it doesn't necessarily have to cost a fortune.

In addition to Attivo's CMO, you held the role of "Chief Deception Officer." Tell us about what that role entailed, the impact it made, and how it complemented your marketing strategy.

As CMO as well as one of the early folks inside Attivo, one of my roles was one of evangelism: building the category for the company and our company's leadership within. The name actually started at that Hall of Mirrors booth. After an interview with a reporter from Fox News about what the company did and what I did for the company, he said, "So you're like a Chief Deception Officer, right?" I thought, "Sure, that sounds great!"

The title turned out to be not only an icebreaker but also a wonderful way for me to build a platform for communicating about our product to the market. Often you can get hampered by carrying the CMO title – people assume you're going to be all spin and marketing fluff. Sometimes there are roadblocks for sales or marketing leaders just because of their title, but I understood our technology and products and could present both in a non-marketing speak way. Also, who wouldn't want to meet a Chief Deception Officer and understand what that meant?

"Chief Deception Officer" and later, "Chief Security Advocate," was my way of continuing to have non-marketing handles so that I could do the things that I needed to do for the company.

I encourage people, if you're technical enough in your capabilities, to consider having a special, "extended" title so that you can access more opportunities and originate thought leadership.

Could you talk a bit about the M&A process, starting all the way back from when you started working with SentinelOne, all the way through the acquisition?

Most of the time it starts early with the acquirer understanding the customers, use cases, and whether it's something that's a good match for their product portfolio. In this case, it was an excellent match. Since our partnership in 2020, we saw and felt the chemistry and differentiation that we could provide in the market with a robust identity plus deception part of their portfolio.

SentinelOne was very thorough in their diligence. For anybody thinking or preparing for M&A, the more organized you are in your business, the easier it will be to be able to respond to all the questions such as:

- **ARR models:** What does the subscription business look like? What is recurring revenue likely to be? Given a heavier evaluation of ARR than on perpetual licenses, do you have what the market is seeking not only on the product, but in your business model?
- **Marketing:** Given marketing is always a cost center, is the way that we were spending money effective? How did we know it was effective?

"I encourage people, if you're technical enough in your capabilities, to consider having a special, "extended" title so that you can access more opportunities and originate thought leadership."

How did we know we influence the pipeline? It's what you should be doing anyway, but especially for M&A, you need to have the right ROI and tracking in place to know whether what you're doing is effective and where the points of influence are.

- **Partner programming:** What are your demand gen activities and your partner's demand gen activities? How will you message to your partner program community, notify your partners, and handle transitional contracts?
- **PR/AR coverage:** Where did SentinelOne have coverage and where did we have coverage? Who did we want to keep or was a redundancy? How similar were our PR programs and communications? How strong were our analyst relationships? What did analysts coverage look like?
- **Privacy:** As a small startup, there will be a lot of deep diving into things you might not think about. Do you know what your privacy policy is on your website, what your data handling policies are, and are you keeping all of that data secure enough and compliant with all of the different laws that are there across the US or the globe?

Of course, there's a lot of work across the board. Our CFO joked around with me, "This is nothing, did you see what the finance diligence looked like?

Over the course of your career, you've had 30+ years of experience at some amazing infrastructure software companies. What guidance would you pass along to those earlier in their journey?

I think a lot of people don't necessarily think about high tech marketing when they first graduate from college. They may be interested in the consumer brands that we see every day instead. There's not a great infrastructure for cybersecurity education or a natural path from school today, but it's a really exciting industry and there are a lot of folks like me that are very motivated to pay things forward by mentoring and supporting talent joining the industry. Think about you and your style. If you like structure and process, a larger company will be best. If you are curious and not intimidated by rapid change and experimentation, then a smaller company can be a lot of fun. Also, consider the culture and make sure that it is an environment that you will enjoy.

Don't be intimidated about jumping in – the cybersecurity world is a great place, and we need more marketing people in it as much as we need more IT and infosec people! I've seen a lot of people that do come in, fast track, and do exceptionally well.

This article was originally posted on the Forgepoint blog.

3

The Channel Playbook: Lessons Learned in Building Global Alliances and Programs

Steve Pataky is Chief Revenue Officer at Area 1 Security (a Forgepoint Capital portfolio company), which was recently acquired by Cloudflare. Prior to Area 1 Security, Steve served as SVP and CRO at SonicWALL, VP of Security Sales at Dell Security, VP of Worldwide Channels and Alliances at FireEye, VP of WW Partner Development at Juniper Networks, VP of Channel Sales and Development at Vertical Networks, and Sr. Director of Global Partner Development at 3Com. He is a Go-to-Market Advisor to Ubiq Security.

We often hear that early-stage companies should avoid channel sales. The channel is complex to navigate and lacks a direct feedback loop from customers.

As a startup, it's important to understand when you're ready to start a channel program. At a minimum, you need an understanding of your unique value proposition and target market that you can communicate. In addition, a channel-ready product is easy for your partners to evaluate, implement, and manage. Investing in the channel often takes up more time and dollars than companies anticipate — yet we have also seen startups use it as a high-leverage way to tap into new customers and markets. For this edition of the Forgepoint Field Guide, we spoke to "solution provider superstar" Steve Pataky to better understand how early-stage companies can set a strong foundation for their channel strategy.

1. Partner Selection: Focus on the young & hungry ones

Like a good marriage, it starts with selecting the right partner.

"Be thoughtful and specific when mapping out what type of partners are appropriate for your technology, and which partners are already the trusted advisors of the customers you're going to target," Pataky says.

The channel is a complex ecosystem with various business models, from a reseller (more transactional) to solutions integrator (more services). Companies with critical mass can also employ a two-tier model where distributors assist with recruiting channel partners.

Ultimately, the best channel partners are ones with aligned incentives — and for startups, those are partners looking to grow their businesses.

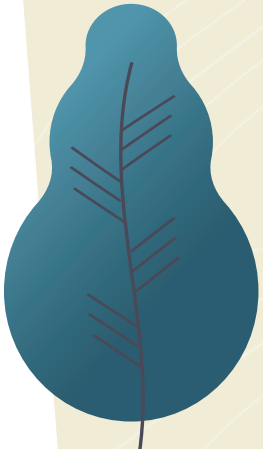
"There's a lot of goodness that comes from finding those younger hungry partners. They do need to already have the expertise within their sales reps — we're not able to teach people how to have a security practice," says Pataky. "But I'll give you a very specific example of a channel partner made up of a couple of former security practitioners. They've been in business for two years. They understand the problem we solve, and they'll register for us 10 new opportunities a week. That's what a young hungry aggressive reseller can do for your pipeline."

2. Structuring Incentives: Optimize your reward-value framework

A channel partner that isn't being fairly compensated ultimately won't be very helpful. Instead, start with a standard market rate and find areas to stack incremental value. Pataky refers to this as the "reward-value framework."

"Many young companies like ours want to use the channel to develop pipeline, and so that should be where value is," says Pataky. "Deal registration is an example — if you sell the deal, you are going to earn a reasonable margin that's consistent with the industry. But if it's a deal that I didn't have access

"Be thoughtful and specific when mapping out what type of partners are appropriate for your technology, and which partners are already the trusted advisors of the customers you're going to target"



to and you're going to bring me into it through a programmatic mechanism like deal registration to get that stackable discount."

Deal registration grants a partner exclusive access to a deal for a period of time. This process incentivizes the channel to hunt for net new deals and makes it worthwhile for a vendor to share a bit more of the profitability.

"Capture it. Make sure you have really well-documented tools, resources, and training that's scripted with very specific messaging."

"Services are another big opportunity. When we were primarily direct, we were doing a free proof of value evaluation. When we started recruiting partners, they told us a big way they get into our customers is through gap analysis and security assessments. So, we created a mechanism that allows partners to monetize that assessment service. It generates opportunity for them in the form of the POV or post-sales support."

3. Channel Enablement: Make your sales tools work for partners

A great channel partner is aggressive in prospecting new business, and the objective of sales and marketing tools is to enable them to do so.

"A lot of times I see vendors that don't want to tell their partners how to talk about their business. They never memorialize it or turn it into training that can benefit the sellers inside of the partners," Pataky says. "Capture it. Make sure you have really well-documented tools, resources, and training that's scripted with very specific messaging."

The following elements should be scripted, consumable, and usable by its audience, whether a technical sales engineer or a non-technical sales rep:

- **Effective prospecting**
- **Pitching the product**
- **Handling objections**
- **Understanding the competitive landscape**

To enable joint marketing, Pataky also advises startups that don't have dedicated marketing development funds to set aside some dollars for discretionary marketing collateral.

"Depending on the partner you're working with, they could have a very significant install base, customer base, and prospect base. Dollars invested with them could go so much further than you as a company doing just the internet marketing activity."

4. Measuring Success: Use KPIs that actually measure engagement

And finally, the level of penetration with a partner depends not on whether they signed a contract, but on how many sales reps and sales engineers are engaged in selling the product. These are the KPIs that can help a sales leader figure out whether relationship-building and partner-enablement efforts are working.

"It's the difference between saying, 'We signed 30 partners and, in those 30 partners, I have a total of 100 sales reps and 70 sales engineers that I've engaged in my training,'" says Pataky. "And the difference between that and saying, 'I have 100 sales reps and 70 SEs who have completed all of our curriculum.' And then, 'Here's how many of them I am engaged within opportunities.' "

The channel has underpinned sales programs at large enterprise companies including Cisco and Salesforce. For startups, investing in channel partnerships can likewise prove to be worthwhile with the right focus and enablement resources.

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4

The Key to Customer-centricity: Customer Advisory Boards

Mike McKee is the former CEO of ObserveIT which under his tenure more than doubled in size from 80 to 180 employees and was ultimately acquired for $225 million by Proofpoint in 2019. After serving as EVP and GM at Proofpoint, Mike was President and CEO of Dotmatics and now consults early stage startups applying over 20 years of company building. Prior to ObserveIT, Mike was SVP of Services and Customer Success at Rapid7 (Nasdaq: RPD), SVP of CAD Operations and Strategy at PTC, and CFO at Highwired. He also worked in banking and consulting at Broadview International, McKinsey, and Goldman Sachs. Mike began his career in the NHL, with the Colorado Avalanche (fka the Quebec Nordiques).

A Customer Advisory Board ("CAB") can be an invaluable resource for startups, but many CEOs struggle with putting together the right structure and group of advisors.

That's why we spoke to Mike McKee on how he leveraged CABs as CEO of ObserveIT.

"They were our secret weapon," says McKee. "I can't tell you the number of times customers volunteered to do reference calls after a CAB meeting without even being asked. We never quantified the number of people that did follow-on purchases within six months of the CAB, but I feel like it was well over 50% — it was NUTS."

"In the six hours, the fewer PowerPoint slides, the better. You want more interactive things like polls to get people actively listening and participating."

Focus on your highest-value customers

An important distinction, highlighted by Peter Fader and Sarah Toms in The Customer-Centricity Playbook, is that customer-centricity is not about tailoring your products and services to your entire customer base. Instead, it's about aligning your acquisition, development, and retention initiatives towards your best customers.

As such, the primary objective of a CAB is to better serve your highest-value customers and ultimately attract more just like them. More tactical goals will depend on your company, but could include influencing product roadmap, refining pre- and post-sales processes, or evaluating expansion of addressable market.

Quality > Quantity

At ObserveIT, McKee hosted CAB meetings twice a year in both the US and Europe. Each consisted of six hours of content and an evening event. You'll want to host in September / October if you want time to influence year-end sales, or February / March for mid-year.

"In the six hours, the fewer PowerPoint slides, the better. You want more interactive things like polls to get people actively listening and participating," he says.

Always keep the invite list small and targeted. Attendees should fit your ideal customer profile as much as possible. They should also have an appropriate level of technical and business expertise.

"There's lots of people in technology that are too high-level. They know the buzzwords and the high-level value. Not useful," notes McKee. "Then there are people that — quoting one of our sales engineers — love the 'nerd knobs.' They just want to go deep technically. That's not helpful either because they'll go down rabbit holes."

McKee recommends limiting the group to 15 (but okay to go even smaller), and splitting by vertical after that point. This allows for the agenda to be more focused on facilitated discussion rather than sharing business or product updates.

"Thirty people is not a CAB. Thirty people is a presentation. You're just not going to get the richness of the discussion, feedback, or suggestions for the future."

Product runs the show

Product management has the most skin in the game, and thus they should be running the CAB. Notably, sales should be sitting out.

"From a company perspective, we wanted as many people to listen in up to the point where the customers felt like they're getting swarmed," he says. "I would go around and introduce every single person from our side, and let the customers know their role and that they're not in sales."

While the entire company clearly can't be present, CABs are the most impactful when takeaways are shared broadly with employees after each meeting.

"We'd have major themes and a quote associated with each theme from what we heard over the course of the day, and we always had a summary slide with poll results," McKee notes. "But I feel like

people really love stories. Instead of having just three themes, we could have had top 10 quotes. I think the company would have really enjoyed that."

Give them a reason to come back

At ObserveIT, McKee had a Board of Advisors that, from an involvement perspective, sat somewhere in between the management team and Board of Directors. A seat at this table, which came with more formal recognition and financial incentives, represented a "carrot" for CAB attendees. But McKee emphasizes that the main reason for attending CABs should be an enjoyable and productive experience for attendees.

"Be generous to prime the pump while being aware that you're setting precedence," he says. "As we switched from paying for the plane ticket and hotel accommodation to just paying for the bagels and a fun night out, people kept coming. That's a good sign."

In addition to free snacks, participants benefit from building relevant connections amongst themselves and exchanging ideas in an intimate, high-trust environment.

"We would try to bring in a speaker of interest halfway through the day — someone that didn't have anything to do with our company, but an industry speaker. This was really well received," says McKee. "I think about some of the international ones where we didn't do that and it felt kind of empty. This adds another flavor, and another way to get people thinking."

Measure the impact

From reference calls to follow-on purchases, many of the positive outcomes of CABs weren't quantified. Still, it's a good idea to survey and track the impact of each meeting.

"Between surveys, follow-on sales, references calls and customer return rate, you can get a pretty good sense of whether they're making a difference or not," says McKee. "For the return rate, I'd look at how much consistency we have from one CAB to the next, and how much people want to come back. Fifty percent is a pretty good number in my mind — each customer comes back once a year, and you've got a nice flow and turnover."

Building a customer-centric organization requires a deep understanding of your high-value customers. Customer Advisory Boards are a great tool that can be mutually beneficial to both sides.

"I want customers to do it because they are passionate about the product and they need it for their environment," says McKee. "Their reward is that they're going to look smarter at their organization because the product we have is doing a great job."

This article was originally posted on the Forgepoint blog.

"Between surveys, follow-on sales, references calls and customer return rate, you can get a pretty good sense of whether they're making a difference or not."

5

Winning the Talent War: Keys to Success in Building and Scaling Your Team

Karl Sharman is Talent Management Consultant at Forgepoint Capital and Head of Cybersecurity Solutions & Services for global recruitment firm Stott & May. Karl has helped build and scale teams across multiple types of business including Fortune 500, Pre-IPO late-stage ventures, early-stage startups, security consultancies and MSSPs. Before that, he was Head of Recruitment for the Southampton Football (Soccer) Club.

Karl, thank you for joining us today for our Field Guide for founders building early stage startups.

As has been widely reported and felt across industries, within companies of all stages and sizes – there's a serious demand for talent right now. How are startups failing and succeeding amidst this "Talent War"?
We're truly in the midst of a talent war. What was polite competition before is now intense, with candidates enjoying tremendous leverage as companies spend vast sums on recruiters and round out their employment packages with incredibly generous benefits in the scramble to fill gaps. I am seeing startups fail because they are not hiring the right talent, retaining the right talent, and not gaining enough talent to succeed in line with their company building plans.

Startups are losing out due to a number of common factors. In addition to having a clear and consistent understanding of a company's internal needs, it's about speed of process and execution – the actual decision making – which is the winning formula. If things take too long, you'll lose candidates. Some companies know exactly what they want and how to get there, with the proper recruiting and assessment approach, set up, and instrumentation, whereas others aren't sure and have no process or timeline, making the experience challenging for candidates who are in high demand and considering multiple opportunities.

Employer branding is also more important than people think, especially when a startup is up against larger, better-resourced companies that visibly invest in their image, corporate messaging, and the culture of the organization. Of Forgepoint's portfolio, Noname is exceptional at this – they are very clear on what they do, their momentum and growth, that they're a unicorn, and why they would be a great fit. They also publicly welcome new talent on social media, celebrate hires, and ride the LinkedIn algorithm for more exposure to relevant candidates.

I also see companies underinvesting in the candidate experience – making it an afterthought, when it should be a priority. Or they are so narrowly focused on closing a specific role that they can't think further afield. Startups should always be hiring – not just when you have an open role, but what a company needs in the next 3-6 months, 6-12 months, up to 12-18 months. Beyond that, markets and company growth are too transitional.

So what are the keys to success as startups build and scale their teams?
I break this down into four areas:

Talent attraction and the candidate marketing approach. In order to be the standout choice for candidates, companies need a cohesive and compelling strategy that includes:

- **Impactful employer branding and messaging:** The story must resonate with prospective candidates, emphasizing the culture and values of the company.

"I also see companies underinvesting in the candidate experience – making it an afterthought, when it should be a priority."

- **Efficient job descriptions:** Ideally one-page job descriptions that clearly and succinctly provide the scope and expectations of the role and desired qualifications, with unbiased language.
- **Multiple avenues for promotions:** In addition to common channels include LinkedIn, Job sites, employee networks, and recruiting events, partnerships with recruiting firms, universities, and non-profit organizations can be helpful. Your investors might also have a job board like Forgepoint's which we are launching this week.
- **Well-resourced referral program:** The cost of a hire is getting up to $20-25K per role depending on seniority. Offering a fraction of that to referring employees is obviously more cost-effective while providing access to their colleagues from previous companies who have high potential for relevant qualifications and cultural fit.
- **Modern marketing tools:** In addition to LinkedIn ads, use marketing and social media tools to generate content to drive inbound candidates.

Talent experience and moving at the right speed to execute. Build a process for candidates that limits pain, reduces risk, and generates success. This includes:

- **First point of contact:** That first impression is crucial for setting the tone for the experience.
- **Managing expectations:** Be honest & clear about the timing and the role.
- **Candidate-first processes:** The candidate is no different to a consumer. How do they prefer to be communicated with – via text, email, calls? In person when possible, or just virtual?
- **Repeatable processes:** Repeatability not only improves the experience for the candidates but also makes the process easier for interviewers while ensuring fairness.
- **Candidate scoring:** Having an agreed upon rubric or score chart encourages managers to evaluate carefully and consistently.
- **Digital record of feedback:** Keeping feedback records enables better hiring in the future as candidates come around again and to inform the process for other roles. Digital interview scoring systems or solutions like 'Metaview' can be especially helpful.
- **Constant communication with candidates:** Keep up the dialog! On average cyber and technology candidates are getting pinged by 3-4 recruiters per day.
- **Back-channel in addition to references when you can:** Back channeling allows a company to gain deeper insight and better manage risk.

Talent acquisition and hiring the best available talent in the quickest time. Found your ideal new team member? To succeed at closing, consider:

- **Who is the best person to make the offer?** Who needs to be involved to close – company executives, or even investors?
- **How should the offer be made?** Based on your candidate's preferences, would this be more effective by video or face to face?
- **Make the right offer:** Factoring in the candidate's needs, the company's needs, and the overall position for the next 18 months. Compensation is just the start: candidates are looking at the overall package which includes culture, leadership, and other factors.
- Others are looking for education and growth which is why many companies are now including education grants and tuition reimbursement.
- Ensure paperwork is ready to go after the offer is delivered verbally. Some fall through because of the delay. People are very visual in tech/cyber and GTM roles, and want to evaluate the opportunity immediately.
- **Set deadlines on offers:** Candidates like to weigh multiple offers and lever against the market.
- **Enable technology to automate:** Use modern ATS/HR systems. We've just stood up Thrive here at Forgepoint to help us help our companies.

"Build a process for candidates that limits pain, reduces risk, and generates success."

I cannot emphasize enough how vital it is to be the choice for talent: this is a deeply personal, multifaceted decision. In addition to company leadership and momentum, candidates want to understand the objectives and responsibilities of the roles they're considering, and be set up for success – they want to believe this is the best next career move for them, that growth and promotions will be possible. Candidates also want to understand the company culture they'll be joining,

which startups can share directly and reinforce through social media, marketing campaigns, and employee advocacy. They often relate to a company's mission – I've seen this help sway talent towards a startup over a more immediately lucrative opportunity from a larger company or competitor. We actually have extremely talented folks with established careers joining our incubating startups because of Forgepoint's mission to protect the digital future.

Thank you for this excellent and very practical guidance. So what's crucial to retaining top talent? How do you identify at-risk employees?

Retention is naturally critical to how a startup scales. Some job functions naturally have high turnover (e.g. Sales), whereas others may bring heavy demand (e.g. Engineering) that lead to employee departures but in general, key success factors for this fourth area include:

- **Balancing structure and flexibility:** Ensure enough structure and direction for employees with built in flexibility as the organization scales.
- **Enabling strong leadership and growth:** Remove barriers to productivity including less capable managers and inefficient processes.
- **Competitive compensation:** Stay on top (and ahead of) the market as necessary, with regular and spot bonuses rewarding performance.
- **Committing to employee engagement and feedback:** In addition to regular reviews, 360 reviews, and setting clear, mutually-agreed upon targets with meaningful incentives, finding ways to ensure employees understand their role in achieving business objectives and delivering on the mission of the company.
- **Enabling employee development, and leadership participation**: On top of how roles are scoped and evolve over time, are there opportunities for personal growth and channels to propose ideas.
- **Looking out for at-risk employees:** There are a number of red flags here. Do you and your managers have the right strategy and procedures in place to monitor key indicators of flight risk and prevent churn?

Ultimately, I'd argue the candidate experience should carry forth in the way organizations operate as employers: once the hire is made, delivering on the expectations shared in the recruiting process, cultivating transparent and empathetic ongoing communications, and continually reaching mutually gratifying goals are crucial.
For a successful, long-term marriage with your very best talent, the courtship should never end!

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FORGEPOINT

Forgepointcap.com

650.289.4455

400 S El Camino Real | Suite 1050

San Mateo, CA 94402