

Case Study
Growth Force
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CASE STUDY

AN INSIDE LOOK AT ONE ORGANIZATION

Growth Force

In its early years, the **Salesforce.com Foundation** operated much like any other organization of its kind. It doled out grants, and it grew as fast as its endowment would allow. Then the foundation revamped its revenue model. Today, it's not just a grantmaker. It's a rapidly expanding software vendor.

BY GREG BEATO

In office buildings all over San Francisco these days, the conference rooms are filled with technology-minded twentysomethings who harbor plans to take over the world. So it is on a recent morning at One California, the global headquarters of Salesforce.com. About 20 young people are seated around a U-shaped arrangement of tables. They're fiddling with laptops, leafing through user manuals, waiting for a training session to commence.

They're participants in Year Up, a national nonprofit organization that provides intensive workplace training to people between the ages of 18 and 24. In 2008, Year Up established a San Francisco branch with support from Salesforce.com and four other corporate partners. Since then, Salesforce.com has been working with the organization in various ways, and hosting interns like the ones in this conference room has become a pivotal feature of the partnership. Year Up recruits its participants from the ranks of unemployed or underemployed young adults who are not currently enrolled in college and who otherwise have little access to economic opportunity.

Which helps explain why the people in the room are, by California high-tech standards, unusually well-kempt. The men are in crisp button-downs and ties, the women wear dress-for-success blazers, and there's nary a hoodie in sight. They're serious about claiming a place for themselves in corporate America.

As they prepare to learn the ins and outs of being a Salesforce platform administrator, Robert Teng, a Year Up facilitator, flashes a slide on a projection screen. It shows how much this course usually costs: \$3,750. In this case, the Salesforce.com Foundation—the philanthropic arm of Salesforce.com—is picking up the tab. “This isn't a hand-out,” Teng says. “The Salesforce.com Foundation considers it an investment.”

The businesslike spirit that animates that statement hasn't always been central to the way that the Salesforce.com Foundation operates. For many years, the organization had functioned much like a traditional nonprofit foundation. It made grants to worthy recipients. It carefully managed its endowment. As Salesforce.com kept growing, however, leaders of the foundation began to think about how

they could keep their organization in sync with the company that spawned it. How, they asked, could the Salesforce.com Foundation expand its beneficiary base at the same rate that Salesforce.com was expanding its customer base?

Eventually, they decided that the best way for the Salesforce.com Foundation to stay in alignment with Salesforce.com was to



↓ **PACKAGING CARE:** For a program called Project Night Night, Salesforce.com volunteers create special kits for homeless children.

PHOTOGRAPH COURTESY OF THE SALESFORCE.COM FOUNDATION

leverage the assets of the latter in an explicitly commercial manner. In 2009, the Salesforce.com Foundation became an official reseller of Salesforce.com products, with an exclusive right to sell the company's software to nonprofit and higher education customers. Five years later, the Salesforce.com Foundation has annual revenues of about \$20 million, and it employs more than 100 people. What's more, in choosing a commercially oriented path, it has been able to boost its philanthropic impact significantly.

THE ONE PERCENT SOLUTION

In the mid-1990s, Marc Benioff sought to broaden his horizons. Benioff, a veteran executive at Oracle, the database software company, went on a spiritual quest to India. He hugged a guru known as the "mother of immortal bliss." He visited Hawaii and swam with dolphins. Even when engaging in interspecies consciousness expansion, however, he kept thinking about software. In time, he had an epiphany that would turn him into a billionaire: Customer

relationship management (CRM) didn't have to be so costly or so hard for business users to install.

Instead of selling CRM software as a product, he would lease it as a service. And instead of delivering it to customers on disks, he would distribute it via the Internet. In the late 1990s, these were revolutionary ideas, and they formed the basis of a business model that would have wide appeal. Benioff launched Salesforce.com in 1999, and immediately customers showed an interest in adopting its CRM solutions. For a monthly per-user fee, they could get access to a platform that would allow them to track sales leads, manage marketing campaigns, bill customers, forecast revenues, issue paychecks, and automate a wide range of other business processes.

Benioff, meanwhile, also had novel ideas about how to make the pursuit of social good a central part of Salesforce.com's corporate identity. At the same time that he and his cofounders incorporated Salesforce.com, they also established the Salesforce.com Foundation as a public charity. In 2000, Benioff hired Suzanne DiBianca to lead

the foundation. They and their colleagues began to develop a strategy that they would later dub the 1-1-1 model.

Inspired by eBay, they decided that the foundation would receive 1 percent of Salesforce.com's founding stock. Inspired by Hasbro, they decided to encourage Salesforce.com employees to devote at least 1 percent of their time to volunteer work. (Employees now get up to six paid days each year to pursue such efforts.) And, inspired by the example of companies like Ben & Jerry's and Levi Strauss, Benioff also wanted to donate a portion of Salesforce.com's profits to charitable causes. Unfortunately, the company didn't have any profits yet. But then a student-run nonprofit magazine asked for a free license to use Salesforce software, and a Salesforce.com employee proposed giving a free license to a conservation group that was fighting deforestation in Mexico—and thus was born the idea to give away 1 percent of the company's product to nonprofit and higher-education organizations.

The purpose of the Salesforce.com Foundation was to put the 1-1-1 model into action—by making grants to nonprofit groups, by identifying volunteer opportunities for Salesforce.com employees, and so forth. In its early years, it remained a relatively modest operation, and it had just a handful of employees. ("When I started the Salesforce.com Foundation, it was easy, because we had no employees, no profit, and no product," Benioff notes.) In addition to



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the 500,000 shares of founder's stock that the company had granted to the Salesforce.com Foundation, the organization had received a personal donation of about \$2 million worth of stock from Benioff. It was through the periodic sale of this stock that the foundation funded its efforts.

Then, on June 23, 2004, Salesforce.com floated its initial public offering. "That's the day we went from zero to about \$15 million in assets," says DiBianca, who today serves as president of the foundation.

BIRTH OF A SALES MODEL

The Salesforce.com IPO gave the Salesforce.com Foundation a much stronger financial base from which to operate. But Salesforce.com continued to experience rapid growth, going from 675 employees in 2004 to 2,600 employees at the end of 2007. To keep up with its parent company, the foundation had to add staff members and to increase its expenditures in other ways as well. "That is one of the challenges of being associated with a technology company," DiBianca says. "That's why we had to figure out the right model for scale. With a high-growth company like [Salesforce.com], you're very easily dwarfed if you're not investing in a similar way."

Getting "dwarfed" wasn't an option for the Salesforce.com Foundation. The 1-1-1 model was becoming a well-known element of Salesforce.com's reputation; new employees cited its philanthropic commitment as one reason they wanted to work for the company. But every time the company added 100 new employees, the foundation in turn faced an obligation to assist those 100 people as they looked for volunteer opportunities. The company, through the foundation, had also pledged to match donations that employees made to nonprofit organizations of their choice. In short, the revenue needs of the Salesforce.com Foundation were growing at a rapid pace. Although the founder's stock had given the foundation a good start, DiBianca realized that the organization needed additional sources of income if it wanted to continue meeting the demands of its parent company.

In 2007, she presented three potential solutions to Benioff and other members of the foundation's board of directors. First, Salesforce.com could start donating 1 percent of its revenue, in cash, to the foundation each year. Second, the foundation could engage in an aggressive capital campaign to boost the size of its endowment. And third, the company could allow the Salesforce.com Foundation to become a reseller of Salesforce.com products.

Although DiBianca believed that she had to present all three choices to the board, neither of the first two choices was particularly attractive. The revenue-sharing option involved too much uncertainty. "The reality is that when you're funded by a percentage of revenue, that's one of the few discretionary items in a company's budget. If the economy goes south, it's generally one of the first line items cut," DiBianca says. The second option, with its focus on endowment income, also had limitations. By law, charitable organizations must spend at least 5 percent of their endowment each year. But many of them consider that 5 percent minimum to be a maximum

as well: To preserve their capital, they spend only that much. Even if the Salesforce.com endowment grew larger through a one-time capital campaign, DiBianca worried that the foundation would lack the resources to expand its operations at an adequate rate.

The reseller option therefore emerged as the most desirable choice, not just for DiBianca but also for Benioff and other members of the board. One factor in the foundation leaders' decision was the example of nonprofits like the Girl Scouts and National Geographic, which have been able to tap the power of product sales to develop robust and enduring charitable organizations. But DiBianca, Benioff, and their colleagues on the board had also concluded that it made sense to give the Salesforce.com Foundation access to the same asset that was powering the growth of Salesforce.com: its software.

With the decision to turn the foundation into a software vendor, the story of Salesforce.com had essentially come full circle. Since its inception, Salesforce.com had thrived in part because of its decision to weave a strong philanthropic component into its commercial operation. Now the Salesforce.com Foundation would strive to weave a commercial component into its philanthropic efforts.

UPSELLING THE FOUNDATION

Previously, Salesforce.com sales executives had handled the company's nonprofit and higher-education accounts. As part of its 1-1-1 model, Salesforce.com offered each organization 10 free user licenses, and organizations could purchase additional licenses at a discount of 80 percent to 90 percent. But the company hadn't followed that policy consistently. "It was really catch-as-catch-can," DiBianca recalls. "If you got to the CEO, he might donate everything for free. If you got to a sales rep, he might charge you 100 percent for it."

For the most part, the company's salespeople had shied away from nonprofit accounts, because those accounts did little to help them meet their sales quotas. As a result, efforts to solicit nonprofit customers had been somewhat feeble. Product support for these clients was also relatively weak. "Our nonprofit customers could call our 1-800 number for support, but we didn't have people at Salesforce.com who really understood the nonprofit process," DiBianca says. Virtually all of the FAQs that Salesforce.com customer support representatives had at their disposal dealt with issues that arose during for-profit uses of the company's software. "When a nonprofit called and said, 'I'm doing mission management or fundraising,' [they] just didn't have the information to support that customer well," DiBianca notes.

The new arrangement, whereby the Salesforce.com Foundation became an official Salesforce reseller, went into effect in March 2009. In some ways, the sales policy for the nonprofit market hasn't changed much. Nonprofits continue to get 10 free subscriptions to Sales Cloud Enterprise Edition software—an annual \$15,000 value—and organizations that need more licenses can obtain them at a steep discount. The current discounted price is \$30 per user per month; standard retail customers, by contrast, pay \$125 per user per month. The foundation offers a variety of other Salesforce.com



REBUILDING: Suzanne DiBianca, president of the Salesforce.com Foundation, visits Haiti to help with post-earthquake recovery work.

apps at special rates as well. Many of those apps, in fact, are free to nonprofit customers.

According to DiBianca, 85 percent of all nonprofits that use Salesforce software pay nothing for it. But now that the foundation makes a focused effort to target and serve nonprofit users, the number of Salesforce customers in that category has increased dramatically, from about 5,000 organizations in 2008 to more than 20,000 organizations today. As a result, the revenue generated from this sector has risen dramatically, too.

Back when the Salesforce.com Foundation was funded almost entirely through gifts, donations, and income earned on its stock holdings, its average annual revenue was about \$1.5 million, and the highest revenue figure that it ever posted was \$3.5 million. In the fiscal year 2010, the first full year that it served as a Salesforce reseller, the foundation generated \$4 million in earned income. That's roughly as much as its parent company had ever made in sales to the nonprofit and higher-education market. By the fiscal year 2012, the foundation's earned income had reached \$15 million, and last year that figure climbed to nearly \$24 million.

Increased revenue has allowed the foundation to increase its expenditures in several areas. Previously, for example, Salesforce.com had limited its charitable donation match to \$1,000 per employee. Now, using foundation revenues, the company offers a match of \$5,000. In addition, Salesforce.com has introduced a new form of giving called a Champion Grant. "If you volunteer your full six days [at a nonprofit], we will give \$1,000 in your name [to that organization]. And that really incentivizes people to give their full six days," says Judy Levine, vice president of community engagement at the foundation. "We have over 300 community champions this year. And we couldn't have introduced this new program if we didn't have the resources to fund it."

The foundation has also been able to increase the size of its staff. In 2010, its head count went from 21 to 42. Today, it employs about 100 people. "When an international Salesforce office gets to be 100 to 200 people, we hire a foundation employee," DiBianca explains. "So there's a person who owns the 1-1-1 program in Sydney, in Singapore, in Tokyo." Currently, the foundation has employees in 11 countries around the world.

SWITCHING COSTS

The Salesforce.com Foundation had always operated in the shadow of Salesforce.com's sales-driven culture. Before adoption of the reseller model, however, its staff had included almost no one who had any experience with selling a product. Its people were well versed in nonprofit management, but few of them knew how to define sales territories, how to set quotas and targets, or even how to invoice customers. "Sales was not a part of our skill set," DiBianca says. So in 2009, after nearly a decade in operation, the foundation essentially became a start-up again.

With help from the Salesforce.com human resources staff, DiBianca and her colleagues started to recruit a sales team. Because the foundation was selling products at a large discount, the commissions that it could offer were about 20 percent lower than those that Salesforce.com salespeople earn. Despite recruitment challenges, however, DiBianca believed that it was necessary to hire candidates who were adept at managing CRM software sales cycles, rather than people who had specific experience in the nonprofit and higher-education markets. "We got some people from Oracle, some people from Blackbaud," she says, naming two of Salesforce.com's competitors in the CRM market.

Once the foundation had hired its initial sales team, its next step was to hire even more salespeople. "For the first two years, we really spent our 'profit,' if you will, on hiring new salespeople, so we could build up our revenue stream to do more grants," says DiBianca. "When we had extra money at the end of the year, we did two things. We gave more grants, and we hired more salespeople."

At first, the new emphasis on sales led to a culture clash, as employees who had worked mostly in nonprofit environments adjusted—or failed to adjust—to a new model and a new set of expectations. "We changed some staff," DiBianca says. Within about a year, the organization reached a new equilibrium. The veteran staff members who didn't like the changes under way at the organization had left. The salespeople who stayed on board, meanwhile, were ones who had a genuine interest in serving the nonprofit market.

In recent years, as the model of a mission-driven corporation or a self-sustaining social enterprise has gained currency, it has become easier for people to embrace the notion that selling sales automation software can be a form of philanthropy. "What I used to see was sort of a skepticism on both sides," says Levine. "Now there's a lot more openness. People on both sides no longer see this model as a compromise or a clash."

↓ **HEAVY LIFTING:** People from Salesforce.com frame a new house during a Habitat for Humanity Prep Day event in Oakland, Calif. (top), help to prepare

meals as part of a Stop Hunger Now effort in San Francisco (middle), and undertake a cleanup and restoration project at a park in San Francisco (bottom).

APPS WITH IMPACT

The dramatic increase in revenue that the Salesforce.com Foundation has enjoyed since 2009 tells only part of the story. Equally important is the foundation's investment in helping nonprofit organizations to leverage the unique assets that its parent company has to offer. The true impact of the foundation's decision to become a Salesforce.com reseller, in other words, lies not in its increased grantmaking power, but also in its ability to serve and expand the company's nonprofit user base.

Viewed cynically, the practice of giving away software—or selling it at a discount—seems like a very convenient form of philanthropy. After all, the marginal cost of a software product is practically nothing. That said, more than 100,000 for-profit companies pay substantial fees to use the Salesforce platform, which includes an ever-widening array of in-house and third-party apps that extend the platform's functionality in highly specialized ways. And today nonprofit users, too, are finding ways to explore the potential of Salesforce.com software. “Before we became a reseller, we didn't really have anyone on our staff who could explain how a nonprofit might use Service Cloud,” DiBianca says, referring to a Salesforce app that allows organizations to track, route, and prioritize customer service requests. “So nonprofits didn't really know what to do with us.”

Once the foundation had beefed up its sales staff, it began to invest in marketing, customer service, and technology development. “Now we've got marketing people who can put together videos to educate these customers. We have account executives who can have a real conversation with them about what their needs are,” DiBianca says. And in 2012, the foundation increased the size of its technology team from 4 employees to 12. Members of that team are responsible for building and updating Salesforce.com's Non-Profit Starter Pack, a free software package that features donor management capabilities. The technology team also develops free stand-alone apps—tools that support volunteer management and gift matching, for example—that nonprofits can obtain through the Salesforce.com AppExchange portal.

Thanks in part to the Salesforce.com Foundation's newly improved technical resources, nonprofit customers are now more able to use Salesforce software to pursue their mission. The Polaris Project, a Washington, D.C.-based organization that combats human trafficking, uses Salesforce.com's Service Cloud module to track calls to a hotline that it maintains for people involved in trafficking situations. Another Washington-based nonprofit, Iraq and Afghanistan Veterans of America, customized Salesforce software to create a Web-based app called the Rucksack. The app functions as a rewards program that enables veterans to obtain free concert tickets, career counseling, and other goods and services from companies that want to engage with veterans. Through that app, the group has attracted 38,000 new members.

One of the foundation's largest clients is the American Red Cross. In 2009, the national Red Cross organization started using Salesforce CRM capabilities to track its communication with major donors.



And as people in the organization have become more familiar with the platform, they have found more and more ways to use it. Today, the organization maintains about 3,000 Salesforce.com licenses for use in operations all across the United States.

The revenue that the Salesforce.com Foundation generates through large installations of that kind in turn allows the foundation to provide additional support to its customers. Working with the Red Cross and a handful of other agencies, for example, the foundation in 2011 provided funding to develop a disaster relief portal that uses Chatter, a Salesforce app that allows people around the world to share messages in a closed environment.

Another Salesforce.com app that Red Cross leaders use extensively is an analytics program called Radian6. “It brings information from all the different social media sites into one place, so we can see where there’s a lot of noise around an issue,” says Harold Brooks, senior vice president of international operations at the American Red Cross. “If there’s a wildfire in Riverside, California, that area on the map will start to glow with all the different mentions on Facebook and Twitter.” Disaster relief, in fact, is largely a matter of efficient communication, and technology therefore plays a huge role in the Red Cross’s operational prowess. “Salesforce gets that, and builds tools that allow us to collaborate better with all the different players,” Brooks says.

PHILANTHROPY AS A SERVICE

“We don’t have a huge stable of grantmakers,” DiBianca says. “That’s not how we want to operate. But what we do have is developers who are doing technology solutions. We have customer success managers. We have community managers.” In engaging with nonprofits, the Salesforce.com Foundation often acts not just as a financial benefactor, but also as a strategic partner or business ally. It seeks out organizations that it can help in ways that go beyond simply giving them money.

That’s especially true of the partnership between the Salesforce.com Foundation and Year Up. “In 2008, we were still an East Coast organization,” says Jay Banfield, founding executive director of Year Up Bay Area. “We knew that in order to scale up, we needed to build on a common platform. Salesforce came up really early as a potential solution.” The Salesforce.com Foundation was already helping Year Up to fund its new operation in San Francisco. And Salesforce software, as it turned out, provided the kind of functionality that Year Up was seeking. Using the Salesforce platform, Year Up developed a tool that displays real-time data on several metrics that Banfield and his colleagues use to assess organizational performance. “We call it our RADIO dashboard. That stands for ‘Retention, Admissions, Development, Internships, and Outcomes,’” says Banfield. “We start every meeting with ‘Where do we sit with our RADIO metrics? What can we tweak to get better? Historically, where we have been?’”

Given that the mission of Year Up is to help its participants prepare for careers in high technology, Salesforce has emerged as an ideal partner for the organization. “Along with everything they’ve done for us—financially, and with the donation of licensing—they’ve

really put in sweat equity,” says Banfield. “Their employees have been mentors, tutors, guest speakers.”

Then there’s the Salesforce.com internship program, which can have a life-changing effect on those who participate in it. Take Dominique Jones, a 27-year-old woman from Vallejo, Calif. A few years ago, Jones joined Year Up, which eventually placed her at Salesforce.com. Jones had attended classes at a local junior college, but she didn’t have a computer science background, nor had she ever worked in a corporate environment. “When you walk into a global corporation like Salesforce, and you haven’t worked in a place like that, there’s a sense of awe,” she says.

When her internship ended, Salesforce.com immediately hired her as a contractor. A year or so later, she became a full-time employee, and she’s now an associate support analyst. “I’ve been asked several times since I’ve been here where I got my degree in computer science,” she says. “When a Year Up intern enters a corporate environment, our perceptions change, but we’re also changing people’s perceptions of what urban youth can do.” Today, Jones has set her sights on becoming a Salesforce.com Certified Administrator, and she also plans to work toward attaining an undergraduate degree.

Recently, leaders at the Salesforce.com Foundation decided to make an even bigger investment in Year Up. “They wanted to focus on a particular neighborhood and see if they could have a significant impact with a place-based strategy,” says Banfield. The project in question focuses on San Francisco District 10, an area of the city that includes several low-income neighborhoods. Overall, the foundation is making a \$10 million multi-year commitment to District 10, and it has earmarked \$2.5 million of that sum for Year Up. “The \$2.5 million is designed to allow us to expand our capacity by 50 percent,” Banfield says. “So we will go from serving 80 students per cycle to 120 students per cycle. That’s allowing us to serve District 10 much more deeply.”

That figure—2.5 million—happens to be a symbolically important number. “Five years ago, when Year Up first came here, we were able to peel off \$25,000 to help get them started,” DiBianca says. Back then, of course, the foundation was operating at a relatively modest scale. Now, in its incarnation as a Salesforce reseller, it has the resources to increase the size of its grant to Year Up 100-fold.

“It’s a new model of philanthropy that’s powerful and scalable,” DiBianca says. “And it’s not just Salesforce.com that can do this.” Too often, she notes, companies assume that they can’t engage in philanthropic efforts until they reach profitability. “There are very creative ways to fund philanthropy that are not traditional. I would love our success to be a call to action to other corporations to do more sooner,” she says.

Benioff echoes that sentiment. “My message to entrepreneurs is, ‘Don’t wait!’ Don’t wait until you’re big to give back,” he says. “It’s never too early to start, because the beauty of the 1-1-1 model is that it scales your foundation as you grow your company. It’s easy. Even if just a small number of entrepreneurs adopt this model, think of what we could accomplish.” ■