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## PODCAST TRANSCRIPT: JOHN SOMORJAI

**Intro:** From Verge headquarters in Indianapolis, Indiana I'm Matt Hunckler with Powderkeg.

Today we talk with a Software company executive who has directed investments into more than 150 enterprise cloud startups in the past 7 years.

What we found was we could really help these companies succeed quite a bit with our customers, but also advising them on their business models and their product strategy, and getting

them through some of their... helping them solve some of their toughest issues because we had gone through it ourselves.

We felt that we were able to create a lot of value for these companies, and so why not also invest in them and share in some of that upside? And so the program grew and grew

from that point, and has now become one of the largest corporate technology investment programs.

That's John Somorjai, Executive Vice President of Corporate Development and head of Salesforce Ventures, one of the largest corporate venture funds in the world.

Salesforce happens to be one of our biggest partners at our parent company Verge, which produces Powderkeg, so we had some pretty incredible access with Somorjai. I'm so glad I recorded this conversation, because that means that you get all the high-growth techy goodness.

In this interview, John shares some of his personal stories including his collaboration with Salesforce CEO and founder Marc Benioff.

We spend most of our time learning about corporate venture capital, or corporate VC, which is exactly what Salesforce Ventures is. In case you haven't heard of corporate VC or maybe need a refresher on why it's important... It's basically a venture fund designed to invest corporate funds directly into external startup companies. And Salesforce ventures is a very active fund, with 150+ companies in their investment portfolio.

Somorjai shares his tips on getting funded by a corporate VC WHY you might consider corporate VC as a source of capital to grow your business, why startups should adopt a 1-1-1 philanthropy model, and what both investors and entrepreneurs can learn from Salesforce Ventures' expansion into European markets.



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You can download or stream our conversations with people like Kristian Andersen who is a Partner at High Alpha a venture studio that launched 8 funded startups in its first year of operation (that's actually episode 1).... You'll also get interviews with Master Connectors like Cole Hatter (that's episode 3), who is and author, investor, speaker, and founder who pursued entrepreneurship out of desperation to build a mission-driven business and lifestyle that has impacted millions.

I love that you Powderkeggers are finding us in iTunes, subscribing, and leaving reviews. I read every single one and I to take a second to share one that I just absolutely loved. This one was from BirchStartups

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You can also find more details on our site about the people and organizations who make Powderkeg possible. And on that note... I want to take a minute to thank our founding partner, DeveloperTown, for sponsoring this episode.

Stay tuned after the main interview , because we have a special BONUS interview that has a BRAND NEW segment from an awesome conversation I had with Matthew Andersen, who is a DeveloperTown client and partner through his company, Mavenly. Matthew has a unique approach to entrepreneurship and marketing, and this conversation gives you a glimpse of the innovative value that DeveloperTown brings to its client projects.



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...DeveloperTown (or DT as I often abbreviate it) works with clients ranging from first-time entrepreneurs to Fortune 100 companies who want to build and launch an app or digital product. They've been immensely helpful for us here at Powderkeg with our podcast launch strategy and collaborative marketing, and they've even helped with our expansion into the various cities where we host our live events. So do yourself a favor and get in touch with DT at [developertown.com/powderkeg](http://developertown.com/powderkeg).

Our guest today is John Somorjai, Executive Vice President of Corporate Development and head of Salesforce Ventures.

Salesforce has over 3,000 partners and 150+ companies in their current investment portfolio. They've also had 30 plus exits and five IPOs so that's on top of the 150.

You can look up more about Salesforce, it's acquisitions, and investments at [Salesforce.com](http://Salesforce.com). They're @Salesforce on twitter, but also have various other handles including @SalesforceVC, and @MarketingCloud. But you can find John @jsomorjai, that JSOMORJAI on twitter. He's wicked smart and definitely worth a follow...

Now, One of the things we didn't get to discuss in this interview is that Somorjai has his JD from the Boalt Hall School of Law at UC Berkeley. I think that's interesting context for how he got to where he is at Salesforce and how he might think in evaluating startup companies for potential investment.

He was a senior director of corporate development at Oracle for almost 5 years before taking on a VP of Business Development role at Ingenio, a high growth company that was eventually acquired by AT&T.

Somorjai then joined forces with Marc Benioff at Salesforce.com, and since 2005, John has led the evaluation, deal execution and integration for all mergers and acquisitions, and investments at Salesforce. His team has helped bring the company into insane growth areas through acquisitions including Demandware, Exact Target, Radian6, Buddy Media, Heroku, the list goes on and on....

I could go on about this guy all day, but I think it's best if we just dive right in. Here's John Somorjai EVP at Salesforce and Salesforce Ventures.

**John:** It's good to meet you.



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**Matt:** Likewise, great to meet via Skype. I'm a huge fan of what you guys have done with [Salesforce Ventures](#) and I've been following around via press online as well as via some [Salesforce](#) friends. I'm based here in Indianapolis so I get to hear a lot of what's going on there. We actually had Ludovic Yorick out here earlier this week.

**John:** Oh, excellent. And so you have me to thank for all of that too because of our M&A efforts, and [ExactTarget](#) has been one of the greatest acquisitions we've ever made, so it's going very well.

**Matt:** Oh my gosh. I'm so glad to hear that. We actually had Chris Baggott to one of our events last week and our event sold out within 24 hours. The community just loves [ExactTarget](#) and, of course, now [Marketing Cloud](#) and what you guys are doing with [Salesforce](#). It's been really cool to plug in, so I really appreciate it, John.

**John:** Yeah, we're definitely hiring a lot in Indianapolis too now and building up that team, but also moving a lot of our core operations there as well, because it's a great place to do business.

**Matt:** Yeah, you know what, that's really great to hear. I know we had some issues earlier this year with some of our state politics which, of course, most of us don't support. And I love Benioff's stance that he took on that and I love to hear that you guys are focused on reinvesting into the community that you have here.

**John:** Yeah, absolutely. And as long as the state politics don't interfere with that, yes.

**Matt:** Exactly.

**John:** But anyway, I know one of the areas you want to talk about was companies we've invested in and that are outside the Valley, and we have a lot. I mean, our portfolio is 150 companies so, as you can imagine, a huge number of those are not in the Bay Area, and I can talk to you a little bit about that. I can give you an overview of [Salesforce Ventures](#). Where would you like me to start?

**Matt:** I think what might be interesting, John, is maybe even taking three to five minutes just to talk a little bit about your background and kind of how you ended up at [Salesforce](#), and then how you ended up leading the mergers and acquisitions, and then kind of transitioning into the [Salesforce Ventures](#) and being in the corporate VC world.



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**John:** Sure.

**Matt:** And then kind of go into a little bit about how what you're doing is different from other corporate VCs, and then also even a little bit about how corporate VC is maybe a little different than your traditional [Andreessen Horowitz](#) and all the big guys out there, and out on the East Coast with [Battery](#), and those guys as well.

**John:** Okay. Well, that's a bunch of topics. You may have to guide me through this.

**Matt:** Yeah, of course.

**John:** Okay, I'll start with my background and how I got to where I am. So I was in the Corporate Development Department at [Oracle](#) for a period of time in the late part of the '90s. And when I was in corporate development I worked on investments and acquisitions in [Oracle](#) and I got to know Marc Benioff.

**Matt:** So how did you guys meet?

**John:** Marc was a business unit leader at [Oracle](#) and so we worked on some deals with him. That's how we originally met and I kept in contact with him after I left [Oracle](#) in 2000. He left [Oracle](#) in 1999 to start [Salesforce](#); I left a year after him to go to a startup called Ingenio. And then Ingenio became a customer of [Salesforce](#); actually, and I was Vice President of Business Development there but I had a whole bunch of operational roles including running a sales team. I brought in [Salesforce](#) for my sales team, and also our customer support team in Ingenio started using it.

What was interesting about it is that we had spent a million dollars - our company had raised a lot of money from some prominent VCs and we had spent a lot of that money, and one of the silly things that we did was we spent a million dollars to buy and implement Siebel - and we could never get it to work. And so we threw out Siebel, put in [Salesforce](#) and - within a week - my sales team was up and running, within two weeks our entire support team was up and running, and people loved it. And that was my first introduction to the magic of [Salesforce](#) and what we can do for customers.

**Matt:** It sounds like a pretty good first impression of the software. What was your first impression of Benioff when you guys were working together at [Oracle](#)?



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**John:** He is just a brilliant man and very down-to-earth, easy to work with, and employees absolutely loved working with him. His whole team was just completely devoted to him, and I actually got to see that even more closely because my wife was an intern in his group during one of her summers between first and second year with business school. And so she would come back with amazing reports about what a great manager he was and what an amazing leader he was. He was the youngest Vice President in [Oracle](#) history, and then became the youngest Senior Vice President in [Oracle](#) history, and just had a lot of success there. And then he started a lot of philanthropy efforts working with Colin Powell while he was at [Oracle](#), and I thought that was just really great, what he was doing. There were a few [Oracle](#) executives I actually wanted to stay in touch with after I left the company, Marc was one of them. He's just a tremendous guy.

It was great that we kept in touch. We started using [Salesforce](#) in my new company, it was really successful for us, and then [Salesforce](#) went public and it became time for them to hire a Corporate Development Executive with experience in enterprise software and start thinking about acquisitions. And so Marc told me 'you should come over and take a look at the role'. And so I did; I went through the interview process, met with a lot of the folks here and really loved it, and joined the company in June 2005.

**Matt:** Wow, that's great. It's a cool story to hear just how staying in touch with someone, getting to know the way they work, understanding that the company and the software - the product that they've created - is something that you'd like to join and be a part of. And then of course, fast-forward now to what you're doing with corporate VC there at [Salesforce Ventures](#), also with Benioff's full support. I've been following his tweets and seeing how much he's tweeting about [Salesforce Ventures](#). Of course there's some cool stats that have come out recently, just in the last month or so, about what you guys have been able to accomplish there. How did that whole thing come about, in terms of investing in startups?

**John:** So we started in 2009 and it was basically, if you can go back to that period of time - the financial markets had just collapsed - there were a lot of companies that had started up but were having difficulties raising capital because it was just not a time where Venture was doing a lot of investing, particularly in enterprise software.

And so we felt the need to step in and really help our partners raise money with the goal towards building a very broad and diverse group of the best enterprise cloud companies in this ecosystem so that we could serve our customers more effectively. So we, as you may realize, sell around the world and we needed these companies to be able to not just fill the white spaces and product apps that our solutions



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needed, but also to be able to service our customers on a global basis.

So we invested in a combination of both ISVs and system integrator partners too, and the investments worked. A lot of these early companies that we invested in are now really substantial today. So a few examples from the 2009 class would be [DocuSign](#), [FinancialForce](#), [HubSpot](#), [Box](#), the [Sciperio](#), if you may have heard of that?

**Matt:** Yeah, absolutely.

**John:** And I think they have an office in Indianapolis as well?

**Matt:** They do, indeed.

**John:** So there were quite a number of companies that we were able to get into at that time at reasonable price points. And so all of these companies grew up with us, and their evaluations went up with us too, and so -

**Matt:** Well, we did the interview with Jeremy Roche actually, from the CEO of [FinancialForce](#), and it's just amazing to talk to these entrepreneurs and understand just how much of an impact [Salesforce Ventures](#) has had on each company and, of course, [FinancialForce](#) is a great example of a company that has really grown up in the ecosystem at [Salesforce](#). So it's just amazing to see how that whole ecosystem really is working.

**John:** Yeah, and what we found was we could really help these companies succeed quite a bit with our customers, but also advising them on their business models and their product strategy, and getting them through some of their... helping them solve some of their toughest issues because we had gone through it ourselves. And so we felt that we were able to create a lot of value for these companies, and so why not also invest in them and share in some of that upside? And so the program grew and grew from that point, and has now become one of the largest corporate technology investment programs.

**Matt:** What gets you excited, now that you've had several successful investments? And when I say several, I mean 150 plus successful investments with [Salesforce Ventures](#), and you've seen a lot of different startups; you've seen a lot of different technology. What gets you excited these days? I saw that you just announced a hundred-million-dollar fund for Europe, there's a lot of other startups outside of Silicon Valley, and it's cool to see you guys are putting your money there. What's getting you excited



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about that space?

**John:** We have just seen - in Europe in particular - we have seen more innovation coming out of Europe than ever before. There's really a lot of very exciting technology there, and it tends to be the much lower evaluation than what you would see in large cities and tech hubs in the U.S. The issue in Europe is that the entrepreneurs have a very hard time attracting capital; particularly growth capital. They can get enough capital to get the company off the ground, but then when they hit a certain stage they can't find that series B or that series C, and that's where we see a really good opportunity. In many ways, if you look at Europe today, it's similar to where the US was in 2009 when we started the program.

So we do think that it will be very lucrative to start investing in these companies now and help them grow, help them come to the US as well. And we have a very large presence now in Europe; it's one of our fast-growing regions. It's also one of the regions that's growing particularly quickly in terms of cloud adoption. And so we felt like this was the right time to really try to make a bigger commitment there.

**Matt:** That's really cool. I think it's neat to see all the startup community activity going on in Europe, and just these cities that are kind of powerhouses for cranking out great tech startups, developing really good tech talent, and the fact that they are now VC funds. Obviously there are VC funds in Europe, but to see corporate venture funds like [Salesforce Ventures](#) looking to put their money there, it's exciting because I think it's going to be a whole different level that is just, like you said, completely untapped. When you look at some of the other players like Intel, and Microsoft, and Google that have created corporate venture capital funds, how are you looking to set yourself apart as you move into some of these new territories?

**John:** In a couple ways, I would say. One thing is that we are very focused only on enterprise cloud companies, and so we have a very narrow focus because we know that those are the companies that we can help the most, and I think that discipline has really helped us because the investment program has remained very core to the strategy of the company and very aligned with it. So it really allows these companies to be successful with us and be part of this really growing and thriving ecosystem of cloud companies.

I think the second point of differentiation that we have is our commitment to corporate philanthropy. As you know, we have this 1/1/1 model. You're experiencing that, actually, in Indianapolis because it's been adopted by our marketing cloud there and we're giving back a lot to the Indianapolis community, but we want to take that around the world and we want to have all the companies that we invest in also give back to their communities. We've had 45 companies in our current portfolio that have adopted the



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1/1/1 model, and then there's an additional group that have their own version of corporate philanthropy, but we'd like to see our entire portfolio adopt integrating corporate philanthropy in their models. We think it is really important and it's great for employees, it's great for employee retention. This is what millennials really expect in their companies and it's really great for the communities where these companies happen to be set up. So those are probably the big points of differentiation I'd highlight.

**Matt:** I think that's really great and I would love to come back to that philanthropy piece because that's something that has always been so remarkable to me about [Salesforce](#) and, of course, now Marketing Cloud, but I want to come back to that first point about the opportunity to grow up within an ecosystem.

One of the things you said that I think is really important for entrepreneurs to hear is just the focus that you guys have and, when approaching any corporate VC, really understanding their track record of investment and where their focus is will make so much more of a difference when you're approaching them and sort of focusing the efforts on your fundraising. I'm particularly curious on once you've invested and you have this portfolio company, how do you work with them to explore business development opportunities? Beyond even just using some of the technology that [Salesforce](#) has, what's sort of the collaboration there in getting new customers to the setup or getting new partnerships or collaborations with software with the startup?

**John:** Well, we will introduce them to all the right executives within the company. So whether they're in the product group, the sales group, the partnership group, we'll make sure that they're connected to the right folks internally who can help them the most. The marketing team is also another part of it too because they will work with these partners to make sure that they're properly showcased at all of our events and all the big markets around the world. That's really important because all of our customers go to our events; these are the preeminent events for enterprise cloud computing and so you want to be there; and definitely, it gives you a leg up in terms of credibility if you have taken an investment from [Salesforce](#).

So we bring all of that to the table for all of our portfolio companies, but a lot of it is really dependent on them to effectively take the introductions, take the connections that we've given them and really mine those, and seek advice from the people that can really help you, and come up with interesting ideas to integrate with [Salesforce](#), and see that through.

I think that the companies that don't do as well are the ones that sort of sit back and wait for it to all come to them, and that's just unrealistic because everybody here has a full-time job and they're super



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busy and they don't have the time to think about how they can help a partner. Partners, it's dependent on them to come up with those ideas and then pitch it, and so we do help our partners understand that. We also showcase them at events. So we have demo days for our executives, we have an event that we do once a year where we bring all of our portfolio CEO companies together where they can share their own issues with one another and see how others have solved similar problems and then we bring executives in front of them to teach them some best practices that we've developed over the years. And so there's a big education element to this program.

**Matt:** Yeah, I think the camaraderie and ability to almost have accountability partners having some collaboration between the CEOs that are at similar stages, or even mentorship opportunities for CEOs that are maybe close together, but one's a little further along to help mentor the other one. It's cool to hear that you guys are actually making that specific initiative with things like this event.

I want to make sure I come back to something that you were talking about - and I was nodding my head vigorously on the other end of the line - and that is making sure that you know, as a portfolio company, the right way to talk to an investor, especially a corporate VC. What is the right way? You mentioned sort of like internally pitching, "Hey, I need help in this sort of a way." What's the right way to do that and what's the wrong way to do that?

**John:** Well, if you're looking for an investment from a corporate VC, the right way to pitch that is: How will this benefit the company? How will this benefit the company that the VC is affiliated with? What can you do together that would really help with their strategy? I think those are the things that most corporate VCs like to hear. You also have to show the innovation that you have created and the quality of your team and the market opportunity because that's critical for any investor but specifically with a corporate VC, you've got to explain that synergy with their strategy, because we're very limited in terms of the numbers of partners that we can invest in and so you really want to stand out from the crowd.

[Salesforce](#) has over 3,000 partners and, as I mentioned, we have 150 companies in our current portfolio. And we've also, by the way, had 30 plus exits and five IPOs so that's on top of the 150, but we can't invest in every partner we work with, so they have to really stand out and explain how are they going to help [Salesforce](#) or, in the case if it's another corporate VC, how will they help that company be more successful with them than without them?

**Matt:** I think that's great, and you mentioned the 30 some successful exits. I know only a few of those were actually acquired by [Salesforce](#). So my next question would be, how closely do you analyze the potential for acquisition or "acquirability" - if that were a word - of these potential investments?



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**John:** That's one of the great things about the investment program too, and I think most corporate VCs have a similar approach to us in that the investment program is not set up for M&A but it can make M&A more easy at the right times. And that's because you get to know the company, you worked with them, you understand their financials, and so when that exit opportunity happens I think it can happen much more quickly if you've taken an investment from that corporate partner. I think that's definitely very true.

But with our program, we did not set it up to be about M&A. It was really always about building this ecosystem of the best partners in enterprise cloud computing. We have ended buying six of the companies that we've invested in, but many others - as I said, it's been 30 plus exits - have been acquired by other companies, including some of our competitors - like [Oracle](#) bought one of our companies. I think that's actually very healthy for the ecosystem that we're building that there are multiple exit opportunities for these companies. Does that answer your question, Matt?

**Matt:** I think that's a great, great answer, and I think that it's just really exciting to see all of the hard work that you're doing to invest back into the ecosystem is really paying off - and not just from an altruistic standpoint but from a capitalistic standpoint, because if the ecosystem grows then so do the big players like [Salesforce](#).

But just in the last couple minutes here, and maybe even the last 30 seconds or so - I know you've got a tight timeline, John. I appreciate all of your time. I've saved the best part for last, which is I wanted to come back to that 1/1/1 program that you guys have. I just wanted to ask you, John, why is it important - even for startup companies that maybe don't have even profits to speak of yet - why is it important for startups to start with philanthropy and have that a core piece of their culture?

**John:** Well, it's definitely a lot easier to start the model when you don't have profits, and you don't have a lot of revenue, and you don't have a lot of investors. I think it's just easier to have that thing going from the beginning and making it a core part of your culture than it is to try to throw it in, like when you've gone public or when you're much later staged when investors might just say, "What do you mean you have to dilute me by 1%?" It's way, way easier to just do it up front and have it be done and be part of your culture, and believe me, employees really love it. They love it and they want it and it's a great way to have team building.

My team, every quarter we do a volunteer program together where the last year we've built houses for



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Habitat for Humanity, we have built bikes for the YMCA, we've helped revamp parks, we've worked in soup kitchens, we've done a whole bunch of different type of activities, and it really helps bring the whole team together and allows them to get to know each other outside of work and, really, it's a nice thing to do from that perspective. Also, I think that it really makes people feel good about the company that they're working for, that they care so much about the community that they live in and it's not just about making money.

**Matt:** Absolutely. Well, John, I absolutely love what you're doing and I appreciate you taking the time to share your story, share the story of [Salesforce](#) Ventures and some of your portfolio companies. I would love to follow up about the 1/1/1 model and help evangelize that with you here in the Midwest. Appreciate what you're doing and thanks so much for taking the time.

**John:** Okay. Thanks, Matt, great to meet you.

**Matt:** Likewise.

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