

Perspectives: A Conversation with Scott Dorsey of ExactTarget

Reflections on Moving Through the Expansion Stage

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Scott Dorsey, Chris Baggott, and Peter McCormick co-founded ExactTarget in December 2000; by 2003 the company had reached \$9 million in annual sales, and in 2004 accepted funding from a venture capital firm. Today, ExactTarget annual sales exceed \$150 million and the company now employs more than 750 around the world. The company is headquartered in Indianapolis, IN, with offices in Seattle, San Francisco, London, Sydney, and Melbourne.

ExactTarget has been named Indiana's Information Technology Company of the Year five out of the last six years. Among its many other awards, ExactTarget also has been named one of the Best Places to Work in Indiana every year for the last four years.

When they launched ExactTarget with nothing more than some modest personal savings, Dorsey and his partners had deep and rich business experience, but little software experience. Here, Dorsey reflects on how they've grown the business from the ground up, and how venture capital played a role.

Please tell us about ExactTarget's origins.

Chris Baggott, Peter McCormick, and I founded the company on December 15, 2000. We bootstrapped the business and had very humble beginnings. We were three first-time software entrepreneurs. We had strong business, sales, marketing, client, and database marketing experience, but little software experience. We didn't have a lot of money to put into the venture, but we had a great idea for a product that we really felt would help marketers. In January 2001, we found a web development firm that agreed to work for equity and started to build the product. By May we had a working version to sell.

How did things take-off from that point on?

We've always been extremely sales oriented and were able to grow quickly with little funding. During the first year, we generated \$300K in sales. In the second year, we generated \$3 million, and by the third year we were at \$9 million. We did a lot of creative things. For example, we found service providers who offered us deferred billing or who were willing to work for equity. And after the dot-com bubble burst, there were a lot of talented people out there looking for work. That's when we really leveraged our personal networks and got a lot of fantastic people involved with our company.



What were the key factors that really propelled you forward?

We hit a hot market with a good product. In the early days, there were two main things that quickly gave us a lot of reach. First, we established a strong network of independent sales agents who we paid on commission. Second, we partnered with marketing and advertising agencies that re-sold our product to their own customer bases.

What were your biggest challenges?

Raising capital was a huge challenge. We didn't have a deep technical background so it was difficult to prove in the early days that we could build good, scalable products. Then there were all of the mechanics involved with getting the business off the ground. We stayed very close to our customers and they were the ones who really helped us collaboratively develop a roadmap.

You mentioned raising capital. How did you handle that?

Early on, we knocked on a lot of doors. We approached a lot of venture firms and received a lot of 'no's.' The truth was, we weren't ready for venture. We had no track record. Our only path was to turn to friends and family — people who already knew and believed in us — and they were the ones who helped us.

The tides turned in late 2001/early 2002 when we obtained a round of angel investment. Bob Compton, an accomplished investor and entrepreneur, led the round and became our chairman, then helped raise capital from other angels. This enabled us to pay ourselves, hire employees, offer benefits — that was our first stage of scale.

Things really started to accelerate after that. During 2002 and 2003, we started getting a lot of inbound interest from venture firms that wanted to help us scale. The one we connected with had other portfolio companies that we felt we could learn a great deal from. We took venture capital in 2004 and it was one of the greatest moves we made.

How so?

Our investor's on-site consulting model helped us overcome challenges and build systems. In particular, they helped us with 1) demand generation, by working with us to refine our website and search strategies; 2) quality assurance, by helping us become rigorous in how we define, build, and test software; and 3) sales, by helping us study how our salespeople were spending their time in order to maximize their efforts — that exercise, in particular, resulted in a dramatic increase in productivity. The investor also put on terrific quarterly educational programs. In the beginning, we were thrilled to be sitting there learning from other portfolio companies; now we get the chance to share what *we've* learned with the younger companies, and it's a great feeling.

What mistakes have you learned from along the way?

In the early days, the way we defined our product was founder-driven. Over time, the decisions became more market-driven. Today we have a very strong product management and marketing group that analyzes market demand and defines every product before we build it. We've been very fortunate in that we've had strong development and technical leaders and very high-quality, innovative software teams. As founders, we didn't have deep software experience, but we found people who did.

Are there any areas where you've been lucky?

Luck is the intersection where preparation and opportunity meet. The three of us had many years of business experience, but little experience with software. We were driven and passionate, and our different styles worked to our advantage. We worked hard and found the right people to help us. We recognized SaaS as an opportunity and built our software to be accessible over the Internet; with SaaS now the fastest growing model of software, that was a wise decision. We also had the foresight to see that over time, all businesses would use e-mail. Back then, e-mail was only for big enterprises.

What are the top factors you attribute to your overall success?

- At the top of the list is a powerful culture.
- Finding the right investors at the right times.
- The expertise of board members has been invaluable.
- Product innovation — we cater to sophisticated marketers, but our products have to be intuitive and easy to use. When you only have one-year agreements with customers, you have to perform; it keeps you honest and innovating all the time in order to deliver value.

- Leveraging partnerships and integrating with major technology providers such as Microsoft, Salesforce, SAP, Omniture, and Webtrends.
- Remaining laser-focused on hitting our sales targets – all of our employees have quarterly incentives for hitting sales goals.

You place a lot of emphasis on culture. What's it like to work at ExactTarget?

We've invested a lot of time and money into creating an environment where young and bright people can get a lot of responsibility quickly – they have a lot of freedom to grow and execute. Our culture centers on employees, respect, and integrity. We invest in employee development. We also have the benefit of being located in the Midwest, where there is a very strong work ethic; we have many highly motivated, passionate people.

How would you describe your leadership style?

Highly collaborative. When we started out, we hired tremendous people and listened to them, and that very open and collaborative culture continues to serve us well. We are very goal oriented, and we communicate often. As we've scaled, we've worked hard to communicate with our people. We've hired 200 new employees over the last 12 months, so the importance of communication and reinforcing our culture is incredibly important.

How do you keep the communication lines open?

The executive team meets weekly, and we also have a two-day, off-site quarterly strategic meeting. Every quarter, we have a 90-minute, corporate-wide webcast where we share our vision and goals. And every Friday at 4 or 5 pm I send an e-mail that provides a snapshot of the past week's events including key achievements. We also have flat screen TVs at all of our locations featuring announcements of new products, clients, all the awards we've won, new hires, and other corporate news and information. In addition, we welcome suggestions through the ExactTarget Suggestion Box located on our intranet. The suggestions and ideas come right to my inbox, and employees can identify themselves or choose to remain anonymous.

What advice would you give senior managers of young technology companies?

- Build an executive team with character, core values, and integrity – find people who are different than you, but whose styles are complementary.
- Raise capital from investors you have chemistry with – again, people who complement you and who will add value.
- Be able to articulate the value you provide. To be relevant, you have to build your value around the problem that you're solving, then refine that value and invest in sales and scale the business. I've seen many early stage companies very under-invested in sales, especially those with highly technical founders.
- Pick one thing and do it very well – too many companies are too broadly focused.
- The early investment needs to be in products and sales (in our company, we were always either building or selling in the beginning), so go light on everything else.
- As you grow, think about how you're going to scale. Scaling will require everything to be done differently. You will need to stay in close communication with your employees as you grow so they will know what's going on around them. Scaling is a huge challenge, and you'll have to work really hard at it if you're going to make it to the next level.