

Karen Zelnick:

When a venture capitalist invests in a startup, they're investing in more than just a company. A strong founder market fit is vital. And few understand that better than today's guest.

As a serial entrepreneur, he's focused his attention on leadership and has broken the mold for what makes a successful CEO. Join us in today's conversation with Jeron Paul, founder and CEO of Spiff, and investor Gavin Christensen, as we bring you both sides of a perfect pitch.

Perfect Pitch is a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. I'm your host, Karen Zelnick, and I'm excited to introduce everyone to today's guests.

Jeron, I'm going to go through a few of your bio points. So you're a serial entrepreneur. You founded four companies before founding Spiff; which is a Utah-based SaaS startup. You were previously a venture capitalist, where you invested over 60 million in software startups. And today you're an angel or secondary investor in over a dozen companies. You love Shakespeare, old period romance, and hope to someday write a sci-fi or a fantasy story. And Gavin's a big fantasy and sci-fi reader himself, so it's no wonder that the two of you get along really well.

Is there anything else that we should know about you or that you'd like our listeners to know?

Jeron Paul:

Just the fact that I have a lot of dirt on Gavin. So we'll have to circle back around to that one.

Karen Zelnick:

Perfect. Gavin, you're not nervous at all. It's fine. Yeah. And it's always good to have you back on the show. We'll have a link to your bio in our show notes.

And you and Jeron knew each other long before Kickstart, as I've already hinted at. So tell us a little bit about your early relationship and how you two know each other?

Gavin Christensen:

Well, we go way back. And by the way, I'm not nervous about Jeron having dirt on me because I don't think anyone has the ability to embarrass myself like myself. So I'm not intimidated by others' ability to do so.

So we go back to BYU. We were both econ majors. I think it's fair to say, Jeron, we were kind of similar, in that we were people who were interested in a broad set of things but were doing econ because of the rigor and what it could do for us, career-wise. So we spent a lot of time in the econ lab, trying to keep up with all the PhD types who were only econometrics and other things. Anyway, that's how we first met.

Jeron went to Monitor, which is a consulting firm in Boston, and helped recruit me there, including my first round of interviewing with consulting firms and striking out, and then trying again and getting in. That's the pattern of my life, is often trying for something, failing, and then coming back and doing it and getting it the next time, or maybe getting something different the next time. That's the pattern in my life.

Jeron Paul:

Mine's kind of the opposite of that experience, right Gavin?

Gavin Christensen:

Yeah. Just getting in the first time?

Jeron Paul:

Yeah, just generally succeeding the first time.

Gavin Christensen:

Yeah. Yeah. Yeah. I think that's fair.

Anyway, so that's a lot of how we knew each other, was he went to Monitor, I went to Monitor. He went to vSpring, I went to vSpring. He went to business school, I took over his spot. Then he came back from b school, took my spot, I went to b school. And then we ended up working together at vSpring.

And we ended up talking to Jeron about possibly joining Kickstart a few different times over the years, and him opting for the entrepreneurial route. So I would say it's been one of the really fun things in my career, to work with Jeron specifically, in a bunch of different capacities.

Hey, before we move on, Kez, I should ask you, as we kick off the season, what have you been up to? Is there something you're reading that you want to tell us about? What does the audience not know about you?

Karen Zelnick:

I feel like there's a lot they don't know about me. But I always feel like I never know what is interesting to say on this. But as far as what I'm reading, I actually really enjoy reading things about culture and about cultivating talent.

I'm currently reading Co-Active, which is a leadership and coaching ... they have a Co-Active coaching workbook. So I'm learning how to have good conversations and coach, and how to be a coach as a manager. It's really fascinating to me.

Gavin Christensen:

Sounds like one I need to add to my list.

Karen Zelnick:

Yeah, I'm really enjoying it. So everyone should add it to the lists, I'm just going to say.

But Jeron, to start, tell our listeners a little bit about Spiff?

Jeron Paul:

I have various levels of detail, depending on how into our particular industry the person is that I'm talking to.

For this conversation I'll go to level one, which is just what I would tell my grandma when she asks me what I'm doing. And basically what I tell my grandma is, "Hey, there's a lot of folks that get sales commissions out there. And it turns out that managing that process and calculating the right numbers for that process is actually much more complicated than you would think. So we build the software that does that, that allows people and companies to scale the process of giving incentive compensation to folks at their companies."

Karen Zelnick:

It's amazing that, until this point, it was basically just done on a spreadsheet. And you'd think that that would've been automated sooner, but we needed you to come along and do it.

Jeron Paul:

Yeah. In fact, one of my co-founders and I, who have started multiple companies together, we often joke that if you show us a really complicated spreadsheet that runs a business critical process, we'll show you a startup idea. I still think the unbundling of Excel is really, really rich grounds for other entrepreneurs out there, especially if you like FinTech.

Karen Zelnick:

And Microsoft is like, "Stop. Don't do it."

Jeron Paul:

It's interesting, Excel is such a Swiss Army knife that it's not really trying to compete with a [inaudible 00:05:27] commission management software platform.

Gavin Christensen:

Somehow I feel like they're not feeling that threatened these days.

Jeron Paul:

Yeah, yeah. I don't think-

Gavin Christensen:

I feel like they're doing okay over there.

Karen Zelnick:

They're doing fine. Yeah.

So, Jeron, getting back to Spiff. It wasn't your first startup. And with other companies under your belt, what was different about your experience founding Spiff?

Jeron Paul:

Most of my previous startups were on the scale of completely bootstrapped, to really heavily venture financed. We're significantly far further towards the completely bootstrapped end of the spectrum.

I think in the last deal that I did with Kickstart and Gavin particularly, I think we ended up raising about \$2.2 million, give or take. About 300k to 400k of that, maybe even as high as 500k of that, that was from the management team. So when you looked, really, at net outside capital, sub 2 million bucks.

And then the company I started before that was essentially friends and family money. I think it totaled something like 70k of investment. The company I started before that was essentially zero, or close to. It was whatever I could personally invest.

So I think, for those reasons, we wanted to do something very different with Spiff. We wanted to explore creating a truly generational company. And to do that, we also felt like this space was going to heat up very quickly. I'd seen that with some of the other deals I had done in the past. We felt like this

one was going to progress rapidly towards tipping point, and then it would become a key part of the sales and finance tech stacks.

So we wanted to make sure we were at the forefront of that. And we felt like the best way to do that was to raise a significant amount of venture capital, fairly quickly. So that's what we did. So I think that's probably the single biggest thing.

Karen Zelnick:

And what did that do for you, or what did that open up for you, as far as a founder? I would love to know a few lessons learned or how that changed your approach from the onset?

Jeron Paul:

It definitely changed my approach in terms of team building and just the overall growth of the company. I would say we eclipsed Capshare's total revenues when we sold Capshare in ... definitely under two years. It could have been close to a year and a half. So we completely blew past my last company's total revenue amount at the time we sold the company, within a year and a half of Spiff. So just a much, much faster ramp.

In terms of lessons learned I've just learned a ton, being a third time or fourth time CEO and a second time software CEO, around how we wanted to build the software and how we wanted to avoid some of the early problems we had with my last company.

So I think we've been a lot smarter around how we built the software, for what's called extensibility, so that we can build on top of that software more easily. It's much easier to make changes to the software this time around, for Spiff, than it was for Capshare.

One thing though, that I think I traded a little, was Gavin will often call this founder market fit. I had very, very deep founder market fit at Capshare, and less so, I would say, with Spiff. So it's been fun to see the pros and cons of those two approaches. I was never a sales compensation consultant for multiple years, before joining Spiff.

Now, I had certainly faced the problem, but I didn't work for ZS or the Alexander Group or Aon, or one of these very large sales consulting practices out there. So I didn't bring that level of founder market fit this time around.

Gavin Christensen:

Yeah. Because I think about lessons learned from my side. And, again, working with Jeron, I think one of the things we did well, as he approached Spiff ... and it was a no-brainer for us to fund Jeron and work with him ... we tried to work with Jeron to make sure that he was well funded but he wasn't feeling pressure to immediately start hitting revenue KPIs versus finding product market fit.

I mean, Spiff's had explosive growth over the last several years, but there was several months without revenue that I think were actually among the most critical in the history of the company, to get things really figured out. And we brought in a great firm on the series A pretty early, but we didn't do that until Jeron and the team had really figured some things out.

So Jeron and his team has done so much right at Spiff. But specifically, I think we worked together to do that period well, so that you were ready for the big money when it came. And sometimes the time and lack of pressure is valuable to go slow, get it right, then go fast.

That's one of my recollections of, "Hey, I'm really glad we did that, because it's been a blur since and you guys have solved problem after problem, but you had this core of: this is valuable to this customer."

Karen Zelnick:

And Gavin, I would be interested in going a little bit deeper on that. How would you advise founders on what they need to do within that time period? And how do they know when they're ready, and they've really nailed it and they're ready to take on, like you said, some big money?

Gavin Christensen:

It varies for every company. The mistake is often getting some customer traction and saying, "Oh, that's product market fit. Let's start really scaling up go-to-market," as opposed to iterating and say, "Do we have enough here?"

And one of the things that Spiff had to figure out is: this is a big change for customers to onboard, many times going from a very complicated spreadsheet that kind of works to really sophisticated software. But figuring out, okay, how much services are involved? Because every set of investors you bring on, there's less tolerance for ambiguity and more pressure to hit KPIs that justify their investment, which means you go with what you have.

And that's why I say being pre-seed, seed is a special time, because you have investors who are like, "Let's just find out what works. We're on a search." No series A investor wants to be on a search, they want to be hurling towards a destination. That's what I would say, that's the general concept. I don't know if you'd agree with that, Jeron?

Jeron Paul:

Yeah, completely. I was thinking about how Tesla gets criticized sometimes for the fact that, when you look at its cars, that the doors don't line up perfectly, and there's these things called tolerances in building cars. And as you progress from a seed to a C, the tolerances just need to get smaller and smaller and smaller. So, like Gavin said, you just got to be hurtling towards the destination, and more and more have your unit economics metrics just dialed in.

Gavin Christensen:

I think that's one of the things that many companies, SaaS companies, struggle with, is they breakthrough these great revenue milestones, maybe five, 7 million ARR, but then some stall out because they didn't quite have enough product market fit going for them. And Spiff has really done a great job of just breaking through those milestones needed to roll.

Karen Zelnick:

Yeah. I think that's a really important takeaway for those that are listening.

And Gavin, there are obviously positives and negatives to being a repeat founder like Jeron is. And it's probably rare that the founder has great founder market fit. So I'd love your perspective on the pitfalls and benefits of repeat founders. And then, how important is that founder market fit?

Gavin Christensen:

So first, on the founder market fit or founder opportunity fit, is we ask ourselves: why is this person the one that will solve this challenging and intractable problem? Because of not just Jeron, but the team that came together around this, the timing of the problem, the types of problems they'd executed in the past, we're like, "Well, why not this team? If not them, then who is going to nail this?"

And maybe the founder opportunity fit part is just the broader opportunity in Jeron's vision, for giving powerful data science and execution automation tools to the business user. So I knew this played into a bigger Jeron passion, of where he wanted to go. The founders that really build something special, they're motivated by a host of things but especially solving the problem. And that's in the long form, like solving it over 15 years. Because the problem changes and gets more complicated.

So we love serial entrepreneurs that have had success and failure, because they tend to take great lessons from both. I don't think Jeron's had any huge failures, but he's had companies where he's like, "Hey, that could have been bigger. I wish that I'd done that different." And he's naturally a very self-aware person that's constantly iterating, "What am I learning? What am I learning?"

So some of our biggest failures have been with serial entrepreneurs, because they have a playbook that they just jam through on a different kind of business. But anytime we can back a serial entrepreneur we get excited about it, because it does create the opportunity of a company that learns fast and can beat competitors by a lot.

Karen Zelnick:

And Jeron, how did you make sure you weren't one of those founders that Gavin mentioned that just applied the same thing, just add water and stir, to every one of your startups? How do you make sure you have the self-awareness? And what would you advise other founders on, to make sure that they learn from their lessons?

Jeron Paul:

I think, as a CEO and as a founder, if you're not fairly obsessed about getting to the truth about yourself, the problem you're facing, information about the company in general, you're going to fail.

I think I spend quite a bit of time trying to think about, "How do I get to the truth?" Because there's so many competing incentives, especially for founders, to have a selection bias and what information they think about and they focus on. And frankly, as the company gets larger, you have to be very careful to create a culture where you're going to get the hard truths said to you. Or if they can't say it directly to you, then you need to create some channels where that information can get to you indirectly, even.

I think that's something I obsess actually a lot about as a CEO, is, "How do I make sure that I'm actually hearing the truth and the hard truths that are latent within this incredible company, the wisdom of the crowd of these 250 people that are at Spiff with me?"

Karen Zelnick:

That's amazing. I want to get a little bit deeper, Jeron, on what you said about having a culture that lets people express our hard truths, or share hard truths. Do you have one or two points on how you actually created that?

Jeron Paul:

I love that question so much. And I'd love to be concise about it because, I mean, there's probably 100 ways that we've tried to do that. I mean, in many ways I view it as a central theme of culture building at Spiff, and at any company I've ever worked at.

I mean, I came out of a philosophy undergrad. So I'm a huge fan of using what's called the Socratic method and identifying truth. It really almost requires that there be multiple perspectives at the table at the same time, ideally even opposing perspectives, because as you have these opposing perspectives the truth will emerge more rapidly and more clearly.

We don't have a checklist or even a set of core values that we hire against. We don't have a, "Hey, you're a culture fit," at Spiff. We never use those words. We use the words, "Culture add." And it's important for us because we don't want someone that fits us. We don't want another white male from Utah. That's not what we're looking for. What we're looking for is someone who's going to challenge us in the right ways.

It's a really wonderful metaphor, but pearls are made when an irritant gets inside a clam. And then because it's irritated over and over and over again, it forms this beautiful thing. And that's similar in a culture, you need an irritant, you actually need someone who kind of bugs you sometimes, someone who's combating you and is kind of like, "Gosh, dang it. Do I have to think about that again? You're right. We're not doing enough of that ..." So I think there's just a lot we've done, culturally, from the outset of Spiff, to try and welcome that, to put it into a lot of our culture documents.

Another thing that's immediately sprang to mind was I care so much about hard truths. Obviously it's so much more functional in a culture, to have a culture where people can, to your face, tell you a hard truth. That is the absolute gold standard and what I want to strive for at any company that I'm a part of.

But we care so much about hard truths that we don't want the fact that you don't feel like you could do that. I couldn't call out the CEO in that conversation, or I couldn't argue with the head of marketing right there in a public spot. So we also do a lot of anonymous polls.

One of the things I did very early on, which may seem silly, is we set up a hotline, where people could call and express any concerns that they had about the direction of the company. We did it through email and we did it through surveys. But I also published an ethics document, where I put the email address and phone number of my boss, which is the board. Right there, in the document, I said, "If you ever have a concern with the CEO, go directly to my boss."

It's not Gavin. Thank goodness for him. I actually put Sean Jacobson, one of our other board members, on there. But I'm hoping to model to them. We don't care about tattling on people. We don't care. What we want is the truth. We want whatever puts the company and moves the company forward.

Karen Zelnick:

Yeah, those are interesting. And Gavin, how have you seen this play out at Spiff?

Gavin Christensen:

I think leaders, and I think Jeron, Matt, and others at Spiff, are the kind of people who admit mistakes and own them and aren't afraid of being vulnerable in that way. I think it makes it okay for other people to not be defensive and hide mistakes. We're looking for the truth or the right answer, as opposed to trying to position who is right and who is wrong.

And then I think that Jeron ... and this is one of the things I always say about Jeron, that's been really remarkable to watch ... is even from early BYU days, is someone who loves mentoring people and has always spent an inordinate amount of time helping people advance their careers, for no obvious reason other than just liking to do it and wanting to help people.

So I think that's a natural part of the Spiff culture, where people really buy-in, like, "Oh, this management team cares about my career and is trying to help me be successful." So I think it's that trust, the comfort with vulnerability, that allows for a dynamic where people are actually in search of the right answer instead of a perception of themselves.

Karen Zelnick:

Yeah. I think we're probably going to have to have you back, Jeron, because Gavin touched on something that I wanted to dive into too this time, is your commitment to mentoring.

But we'd like to end on a final question and that is this, it is: what's an effective practice that you've implemented in your work or personal life that you think has had a great impact on your success?

Jeron Paul:

It's funny, the one that just pops out to mind, I have become a much larger reader of business books. We have several teams, we have lots of different teams at Spiff, and we very much have copied Weave and Brandon Rodman's ... we don't have employees at Spiff, we have team members. We never call them employees.

So we're careful about how we name teams as well. But I have a C-team, which is all the C-level folks. And what we call an S-team, which is the SVP and op team. And we have often picked books, almost like a S-team or C-team book group. That has been wonderful. Absolutely wonderful.

Some of the highlights in my career have been picking a book and then coming together to discuss it. Not even making it like a true book group, but just being like, "Hey, how does it apply to this problem that we're struggling with right now?" It's been amazing to see some of the insights that it unlocks, when we do that together as a team.

Karen Zelnick:

I really appreciate that. Yeah. Gavin, any thoughts on that?

Gavin Christensen:

I think that's terrific advice. I think having the context of a book that we're reviewing helps us get us out of our paradigms, our biases, and say, "Okay, how else can we approach this?" So I think that's great advice.

Karen Zelnick:

Yeah. I appreciate that. I love these themes of continually learning, finding the hard truths, coming at things from multiple perspectives, and building ... There's so much we could talk about.

But, Jeron, it's been so great to have you on the podcast today. Gavin, thank you, as always, for your insights and all that you bring. It's been a great discussion.

Gavin Christensen:

And thank you.

This transcript was exported on Sep 06, 2022 - view latest version [here](#).

Jeron Paul:

Thank you both. It's so fun to be here with you.

Karen Zelnick:

And of course, thank you for listening as we dive deep into what it takes to create the perfect pitch.

If you want to learn more about our investor, Gavin Christensen from Kickstart, or our founder, Jeron Paul from Spiff, we'll have a link to the company and a longer bio in our show notes at kickstartfund.com.

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