A question we get asked a lot at Strive, by Pre-Seed and Seed Founders, is when should you look to add your first Sales Heads?

It can be seen as a classic Catch 22 question.

Hire too early and you are wasting precious capital and at risk of losing under-utilised A Player Sales Reps.

Hire too late and you miss your sales and growth targets – causing issues for further funding rounds.

In this document, we aim to give some details on how you can be more systematic to your approach as to when to hire Sales Heads, and the steps that should be taken in advance to ensure optimisation of this resource once hired.

To do this, we will explore the '9 Steps to Repeatable, Scalable and Profitable Growth' model created by David Skok.

For those unfamiliar with Skok, he was a Venture Capital Investor at Matrix Partners, having previously started five successful companies - as well as being a Board Member at companies such as HubSpot (which grew to over $1 bn in revenue), SolidWorks Corp, and ApplQ Inc.

Using his vast experience, Skok was able to pinpoint common errors made by B2B Founders in the Start-Up world and create a systematic approach for a company to create the right foundations to enable Hypergrowth.

The two common errors Skok established were:

1) Companies typically hit the accelerator too quickly in terms of scaling the company. He witnessed companies turning up the spend on sales and marketing without having a fully scalable platform - therefore burning through cash.

2) The other mistake he established, was that once a Founder had gone through the correct build stages (see steps 1-8 below), they then didn't hit the accelerator aggressively enough – i.e., making the pivot and moving from conserving cash as much as possible, to spending it very aggressively on growth.

To avoid others making these mistakes, he documented his 9 steps plan, which can be seen below. A key point to this plan, is that no step should be missed. Missing steps will simply lead to wasted time and money.
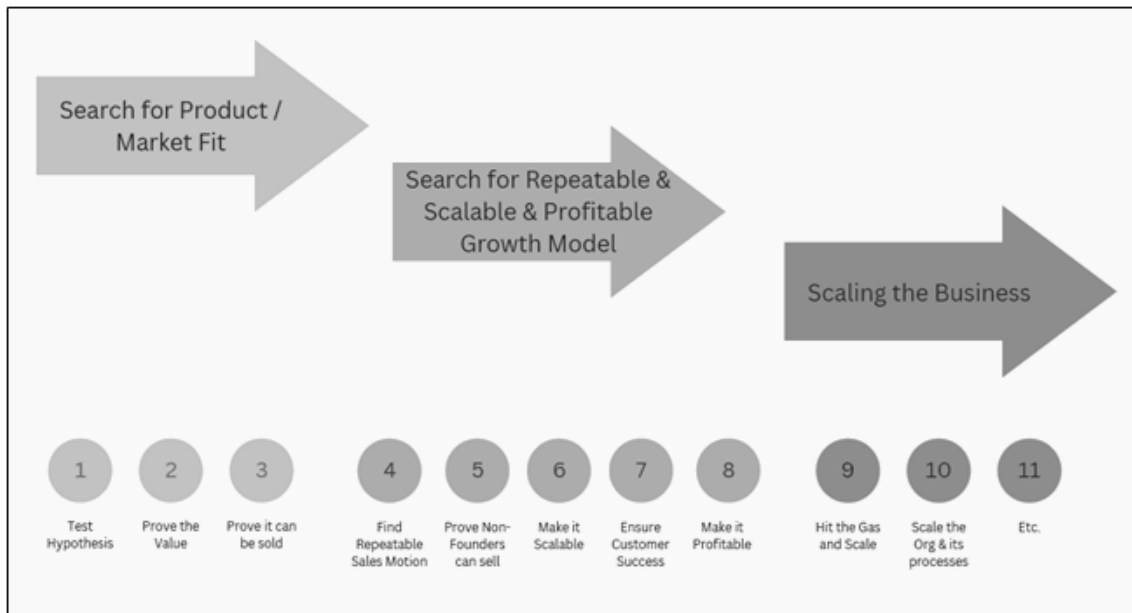
Phase One: Search for Product / Market Fit

The three steps within this Phase consist of:

1. Testing the Hypothesis – What are we solving and how?
2. Proving the Value – Does it actually work / solve the problem?
3. Proving it can be sold – Will someone pay to solve this problem?

A common mistake seen, is to build the Market Value Proposition, before testing your hypothesis. You should only actually start building this, once you have got the required feedback to test and validate your hypothesis.

This first step involves a lot of conversations and trials to validate your hypothetical ideas. You need to speak to as many people as possible to hone in on whether there's a pain point severe enough.

Step two would be to take your product to market, to some early adopters, to prove the value. Are these early adopters getting the value they expected when using the product?

The final step in this phase is proving it can be sold. Ultimately, if it's not an urgent pain point, whilst you might have lots of interesting conversations with people, they won't necessarily be prepared to pay for your product.

Ultimately, in Skok's own words, "the customer needs to have their hair on fire".

Note: Skok suggests that once you have your first set of customers (3-5 ideally), that you pause selling and focus on delivery. Ensure that the built product is delivering the business benefits that were promised at point of sale. If not, make changes accordingly, and then return to selling again – because there is no point in hiring salespeople until you have Product Market Fit, it would only burn cash unnecessarily.

Some questions you should be looking to answer to obtain good evidence of Product Market Fit, before moving on to Phase Two would be:
- When customers see the product and understand its capability, do they immediately want to buy it?
- When customers have purchased it, does it provide the expected business benefits?
- Would they be reluctant to give it up?
- Is there evidence of intent to expand usage of the product?
- Do you have happy (and reference-able) customers?

**Phase Two: Search for Repeatable, Scalable and Profitable Growth Model**

Now you have proven product and market fit, you are now searching to turn this into a Repeatable, Scalable and Profitable Growth Model.

The steps within this Phase consist of Steps 4 to 9 in the plan, namely:
4. Find Repeatable Sales Motion – Via Founder-led sales, can you build up a customer base of people willing to pay for your product?
5. Prove Non-Founders can sell it - Can Non-Founders sell this product reliably?
6. Make it Scalable - Does this scale?
7. Ensure Customer Success - Can you scale without customer churn?
8. Make it Profitable - Can you scale profitably?

Some questions you should be looking to answer to obtain good evidence of a **Repeatable** Sales Motion would be:
- What is your Target Market?
  - Note, it is key to focus on one Target Market, so the product doesn't have to change depending on the vertical.
- Who in the organisation will you sell to?
- What is your Ideal Customer Profile? And equally, what defines a bad prospect?
- What specific problem are you solving that customers will be prepared to pay for – use case messaging is far more powerful than broad messaging.
- What new product features are needed to solve customer problems?
- Will they actually pay to solve this issue? And what should the price be?
- What is your messaging and how do you fill the top of the funnel?
- What is your sales motion? How are you going to sell to them - free trials etc?
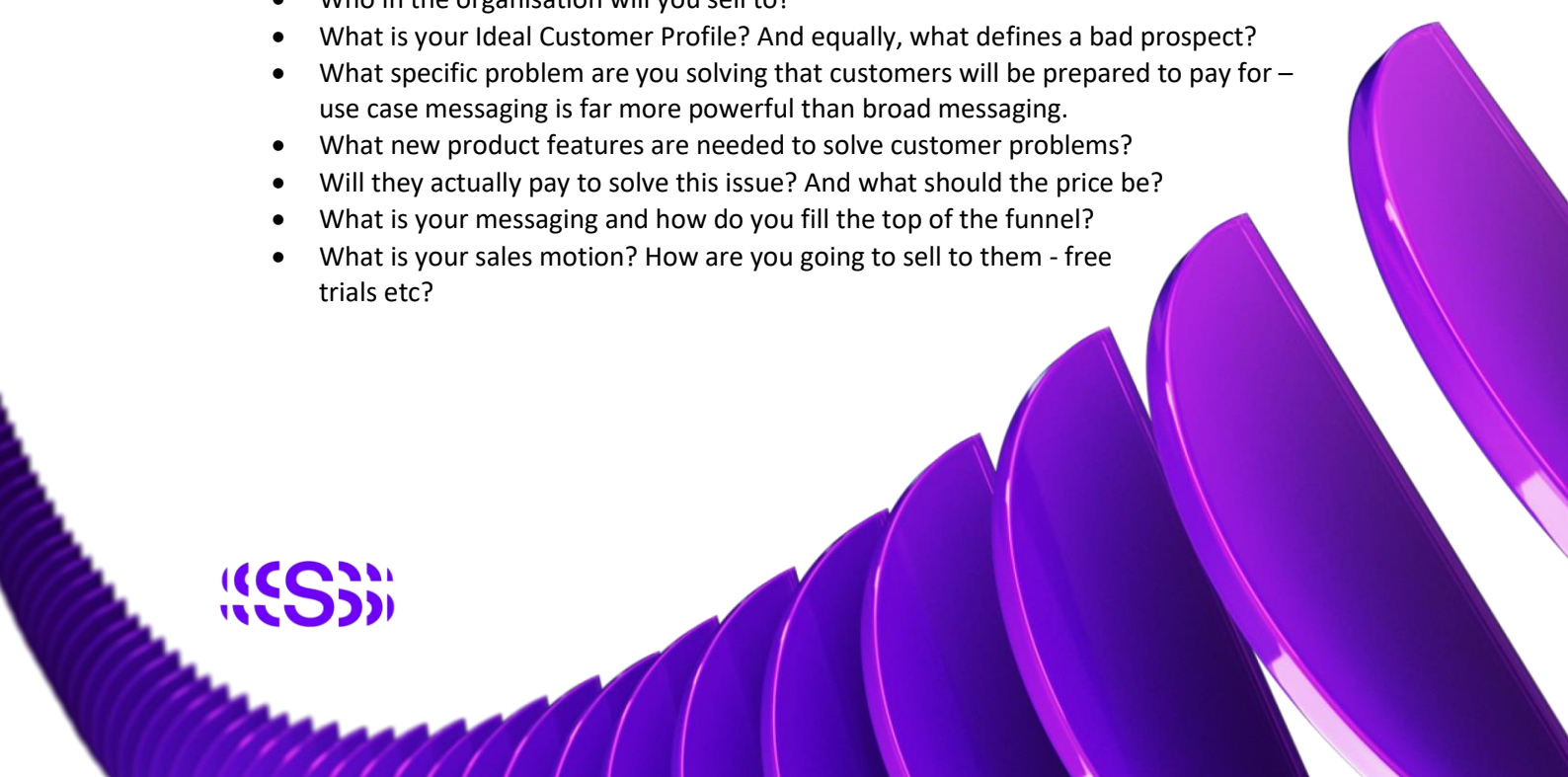
Note: An interesting point that Skok makes, is that is takes at least 50 conversations with real buyers, before some of these patterns and answers will start to emerge.

Using the information gathered, you are now looking to create a Sales Playbook, which has been tested, refined and validated – and can be taught to Sales Reps when appointed, to allow them to deliver a repeatable sales process with predictable results. Alongside this Playbook, there should also be an Onboarding programme for new Sales Reps, for them to learn about the customers, the problem, the product and the systems.

Note: Whilst creating the process and Sales Playbook should ideally be done by the Founders, if this isn't possible, at this point, it could be time to hire a 'Trailblazer' Sales Rep, who has significant experience in building out these areas from scratch and is well versed in dealing with the uncertainty that is inevitable at this stage in the journey.

Once this is all documented and the information has been validated (via the Founder selling the product), you are now looking to move to the next step of proving Non-Founders can sell the product, so it is now time to:

Hire your first two Sales Reps.

Why two hires? Firstly, it gives you better protection in case one hire doesn't work out. Secondly, it allows you to validate whether it's the person or the process that is working (with only one Sales Rep, this can make it hard to differentiate).

Why not hire more at this stage? Any more than two Sales Reps and you are starting to burn cash unnecessarily, without having proved the system is yet repeatable.

The Founder should now step back from direct selling and instead their role becomes focused on sales enablement and how they can optimise their Sales Reps' ramp-up period. FYI, Skok suggests that Sales Rep productivity should be greater than four times their OTE.

Note: You are only ready to leave this phase when you can hire 2 ordinary salespeople and have them run the playbook and both hit quota.

Once you have a repeatable (and proven) sales motion, you can then move to the next step and now you need to work out how to scale.

At this point, to obtain good evidence of **Scalability,** you are trying to answer questions such as:

- Does Marketing have a scalable way to generate lead flow? Having a Salesperson generate their own leads is more expensive and less effective than using Marketing.
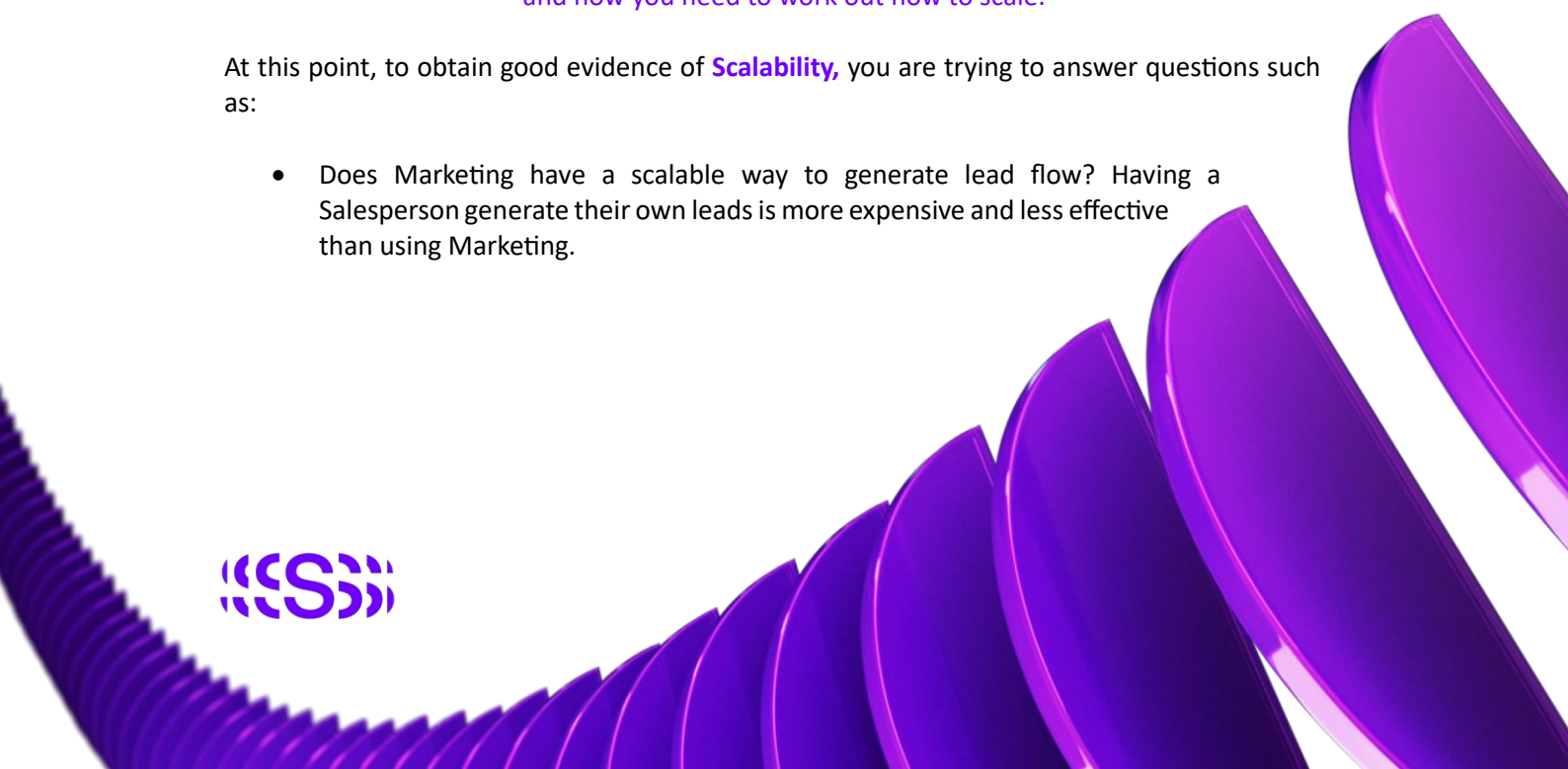
- How will you tie Sales and Marketing together?
  - How many MQLs are required to close a deal?
  - How many deals does a Salesperson need to close per month to hit quota?
  - Therefore, how many total MQLs are required?
- Is your Marketing Sales Funnel efficiently and effectively moving people to the next stage? Consider the different stages of your Funnel and what a buyer would look for in each of these Phases.
  - Top of the Funnel – Identifying target customers and establishing an initial dialogue with them.
  - Middle of the Funnel – Turning them into leads (nurturing and qualifying).
  - Bottom of the Funnel – Lead passed to Sales to convert to deal.
- Is the buyer journey aligned to your sales journey? Put yourself in the customer's shoes – what is the resistance that stops a customer and how do you solve that?
- Where are your WOW moments?
  - The main WOW moment should be when you demo a product, and a customer sees how it truly solves their problem and they are ready to pay for it.
  - Ensure you also have mini-WOW moments – that don't lead a customer to pay, but do motivate them.
  - Use your Marketing funnel to get people to the main WOW point as soon as possible – with as few steps as possible.

As part of this Scalability phase, you must also consider Customer Success – as you scale, things inevitably break, and Customer Success will be a vital part of ensuring your customers are kept happy. They must also deliver on promises made at point of sale and will play a huge part also in turning your customers into Promoters, to generate referrals.

Note: You are not ready to exit the scalable phase until you can demonstrate predictable, repeatable, and scalable growth – some key indicators being:
- Consistent growth in bookings (not just ARR).
- Proof that you can add salespeople and make them productive in a predictable way.
- Proven lead sources that can scale.
- Internal recruiting function working well.
- Strong executive leadership team in place.

Once you have proven scalability, you can now move to the next phase – meaning you are now concentrating on profitability.
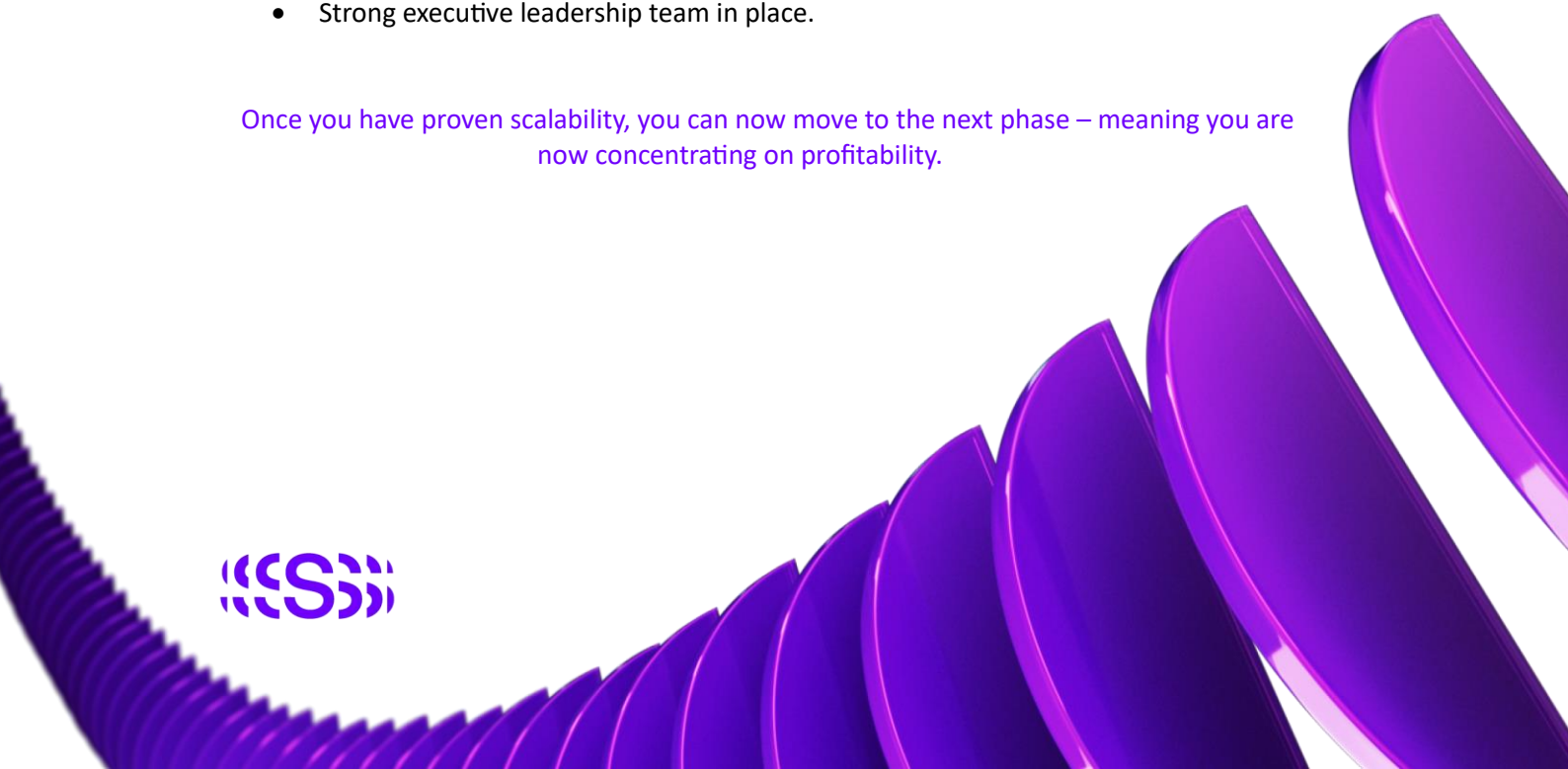
As you enter this stage, you are selling the product at what should be broadly the right price, based on Customer Acquisition Cost (CAC) versus Long Term Value (LTV), as well as your time to recover CAC.

<center>But now is the time to create an optimal pricing strategy.</center>

When profitability is so important, why is this not sooner in the steps?

Skok's answer, is that until you've answered the repeatable and scalable questions, you won't be able to answer the questions for optimal pricing strategy accurately. Focus in the early days, should be on obtaining the maximum number of customers, rather than the optimal amount of money from each customer. Once you've got clarity you can sell the product and add value to the customer, it should be easier to start moving pricing up.

Some questions you should be looking to answer to obtain good evidence of **Profitability** would be:

- Will you be profitable in the long run?
  - Lifetime Value (LTV) should be at least 3 x Customer Acquisition Cost (CAC).
  - Note: The best SaaS businesses have a LTV to CAC ratio higher than 3 (and sometimes as high as 7-8) - anything less than 3 x and you are not viable.
- How long does it take to become profitable?

  - How many months does it take to recover CAC? The aim should be less than 12 months – many of the best SaaS companies recover their CAC within 5-12 months.
- Have you evaluated your different lead sources?
  - Is one more profitable than others?
  - Do your more expensive leads make financial sense?
- How much is your Annual Recurring Revenue (or Monthly Recurring Revenue) changing?
  - New ARR (or MRR) - what happened with new customers added that year / month?
  - Churned ARR (or MRR) - what happened in the installed base of customers – i.e., how many customers cancelled their subscription?
  - Expansion ARR (or MRR) - from existing customers that expanded their subscription.
  - The sum of all the above three makes up your Net New ARR / MRR.

One of the key jobs of a CEO is to decide when to 'hit the accelerator' and these metrics can help you understand when it is right to do so.

Phase Three: Scaling the Business

This is where, assuming you have completed the first two phases correctly, it all changes.

After a period of conserving money and not hiring at scale, the mentality now needs to change.

Ultimately you now have a model which is:

<div align="center">

Repeatable
Scalable
Profitable

</div>

The three steps within this Phase therefore consist of:

9. Hit the gas and scale - Does this keep scaling when we hit the gas?
10. Scale the organisation and its processes.
11. Etc – E.g., expand internationally, add additional product lines.

Notes on these Three Phases:

- As mentioned, all these steps should be followed for this plan to be successful – do not be tempted to skip a step as you will only be forcing growth without it being sustainable.
- You cannot predict how long it will take to get through the first two phases and therefore cash burn should be minimised during these phases. Once you move into Phase three, hit the accelerator pedal and start scaling.

Whilst there will always be pressure on Founders to start scaling immediately, we hope the above gives some pointers on how to deliver results in a repeatable, scalable and profitable way – as ultimately, hiring even the best A Player Sales Reps, at the wrong stage in your journey, will not deliver the desired results.

<div align="center">

Differentiate yourself from other Tech companies by doing things right.
Ultimately, we're a recruitment agency telling you not to hire straight away. That's a bit different, right?

</div>
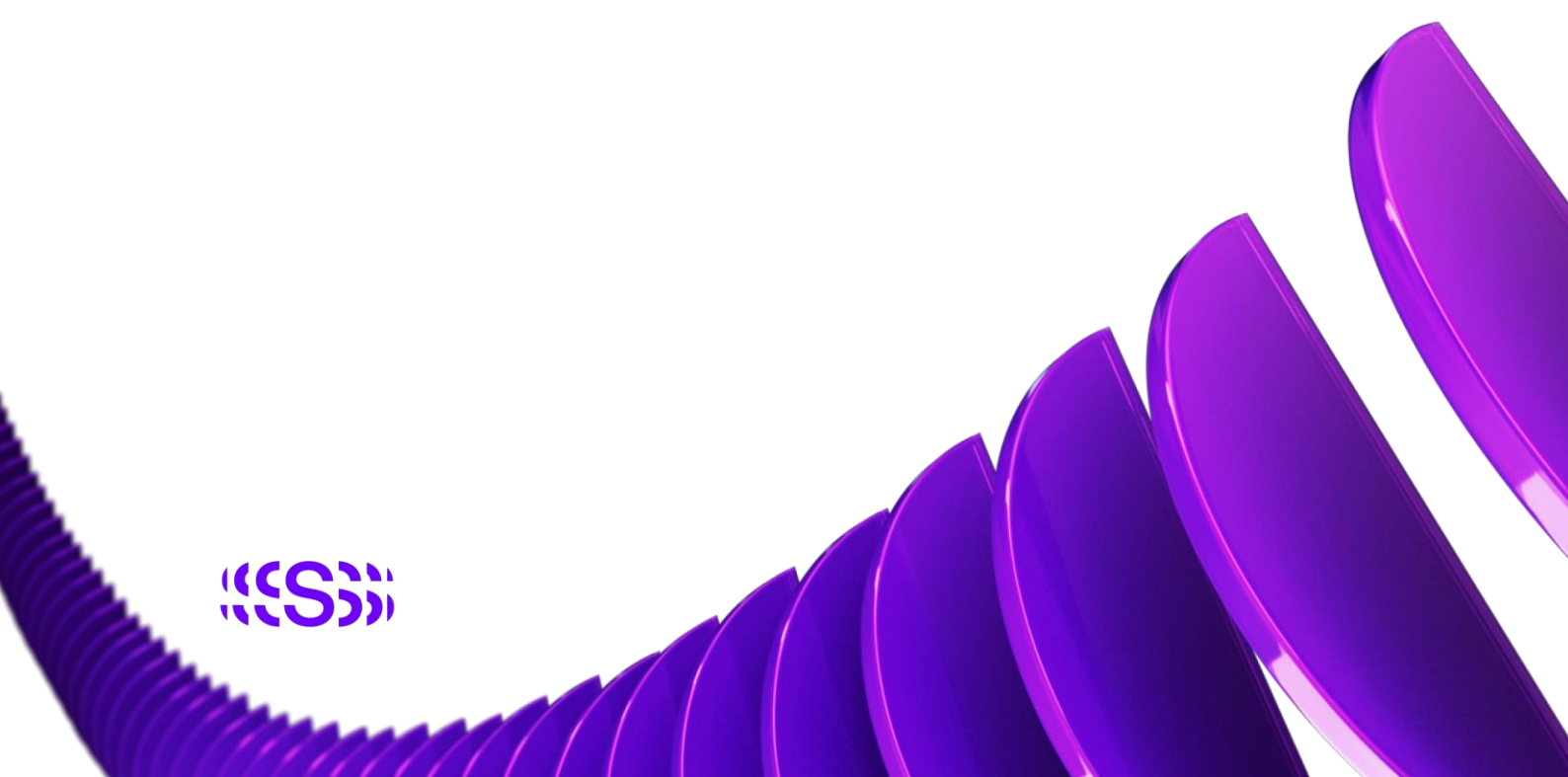
Suggested Resources

If you have enjoyed this article, these are some of the additional resources we would recommend:

Further Reading: [David Skok's full slide deck on this model](#)

Podcast: [SaaStr 309: David Skok on The 9 Stage Model To Get A B2B Company To Get Repeatable, Scalable & Profitable Growth](#)

Podcast: [Insights Alley: How to design and optimize SaaS funnels? - with David Skok, General Partner at Matrix Partners - #StartupBasics](#)

About Strive
Strive is an international software sales recruitment company which helps build world-class teams for some of the most disruptive, venture capital backed, software companies across the globe.

For more information visit www.scalewithstrive.com or connect with our Co-Founder, [Adam Richardson](#).