

TRACTION//GAP
INSTITUTE

BUILDING THE PERFECT TEAM

PREPARING ENTREPRENEURS FOR THE
CRITICAL GO-TO-MARKET PHASE

TRACTION | GAP INSTITUTE

The mission of the Traction Gap Institute (TGI) is to track, capture and publish the metrics and tactics startups need to successfully traverse the Traction Gap. www.tractiongap.com.

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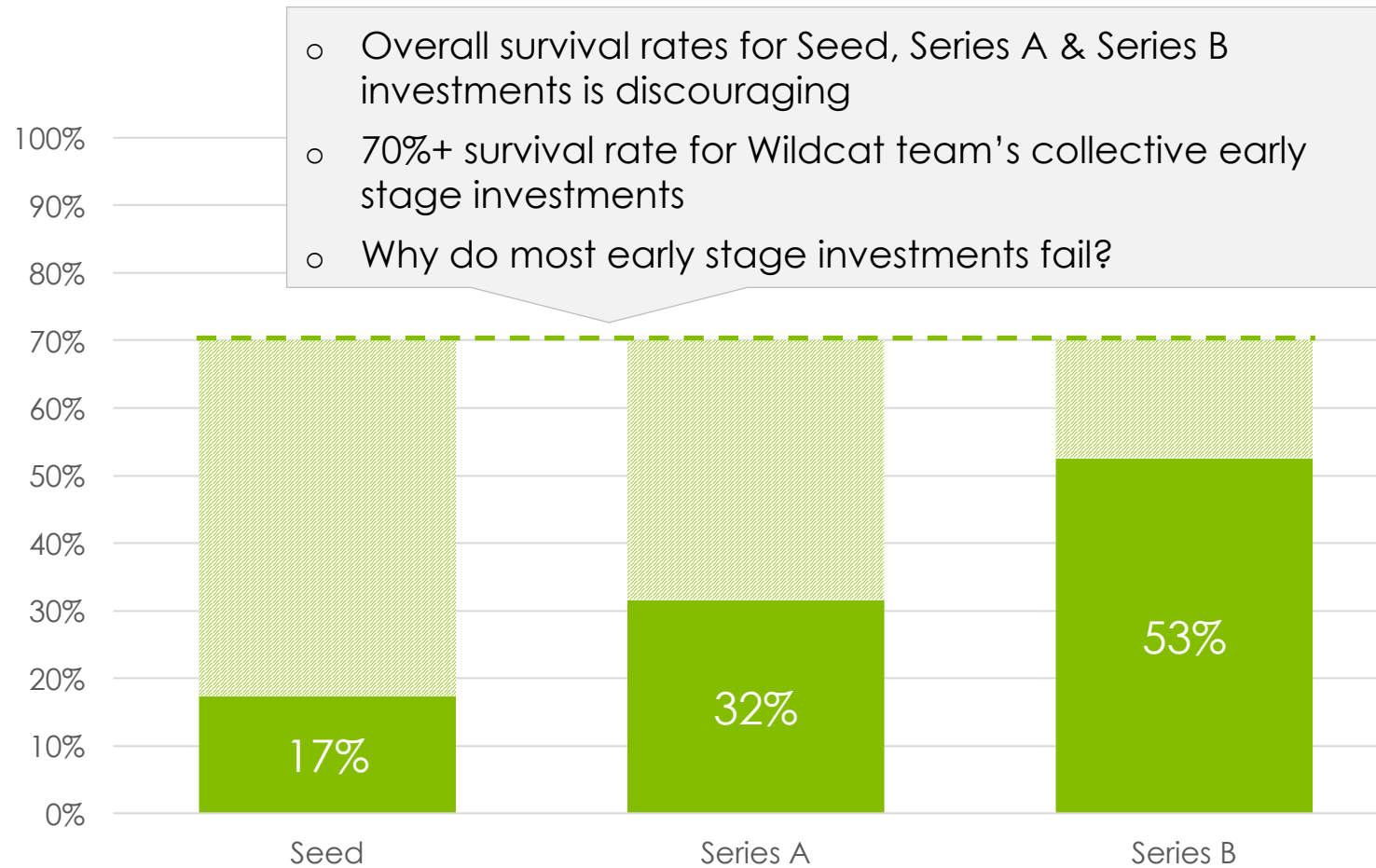


THE TRACTION GAP FRAMEWORK

OVERVIEW

STARTUP SURVIVAL RATES

BY STAGE OF INVESTMENT

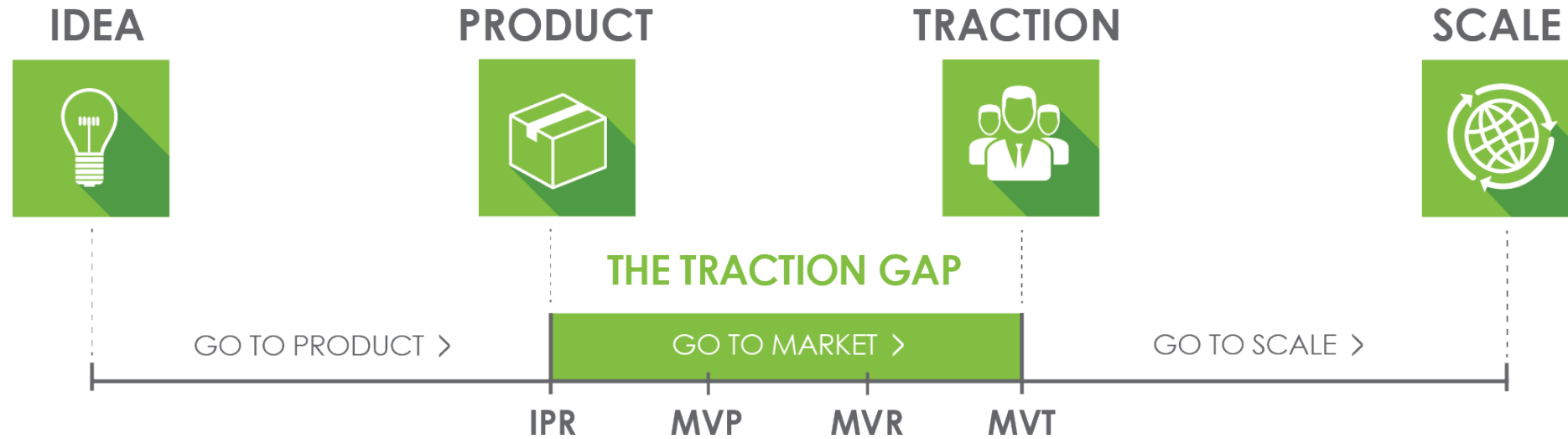


A MISSING LINK



A framework for entrepreneurs to understand the critical Go-to-Market phase is missing in the ecosystem

INTRODUCING THE TRACTION GAP



IPR: first publicly deployed product iteration

MVP: product with minimal customer validation metrics

MVR: solution-grade product, business model, and repeatable sales/marketing

MVT: MVR + multiple quarters of growth

We define the **Traction Gap** as the time between Initial Product Release (IPR) and Minimum Viable Traction (MVT)

Startups who fail to traverse the Traction Gap in a timely manner expose themselves to significant financing risk

KEY ARCHITECTURES



At each milestone in the Traction Gap, startups must mature internally along four key architectures:

- **Product Architecture**
- **Revenue Architecture**
- **Team Architecture**
- **Systems Architecture**

THE TRACTION GAP FRAMEWORK

PRELIMINARY RESEARCH FINDINGS

17 B2B COMPANIES SURVEYED TO DATE

veeva

HotChalk

 servicemax

bizo

 BLUE MARTINI
SOFTWARE

 Marketo®

SilverTail
part of  RSA Systems 

eloqua

 Couchbase

agile™

EGNYTE

krux

 jobcase™

CollabNet 

Movable  Ink

AYASDI

 Marin
SOFTWARE



INTERVIEW PROCESS

- ID Founder/CEO of B2B companies that attained repeatable traction (>\$200m Valuation).
- Describe their journey through the stages of the Traction Gap Model
- Explored each pillar: Revenue, Product, Team & Systems
- Collected specific funding, revenue & growth data for each stage

SO WHAT DID WE LEARN?

Team & Culture Matter Most

	IPR	MVP	MVR	MVT
REVENUE				
PRODUCT				
TEAM				
SYSTEMS				

82% OF SUCCESSFUL COMPANIES...

Start Building Culture on Day 1

	IPR	MVP	MVR	MVT
REVENUE				
PRODUCT				
TEAM				
SYSTEMS				



The 82% who focused on culture were very purposeful:

SACRIFICE: “Hire a team that is willing to make sacrifices with you.”

WORK ETHIC: “Every person we would end up hiring, started working when they were a teenager.”

CHIP ON THE SHOULDER: “Folks who don't come with the classical pedigree have a much more natural urge to prove all the naysayers wrong.”

CURIOSITY: “I'm looking for not just hunger and eagerness, but grit and curiosity.”

“A” PLAYERS: “Hire A players. A players work around other A players. B players like to work around C players to make themselves feel better.”

CORE VALUES: “Collaboration, curiosity, integrity, and grit – those were our core values.”



The 18% who focused on culture too late experienced problems:

FIRE FAST: “I took too long to get rid of a toxic person. I should have ripped the band-aid off the moment I knew it—it probably cost the company 18 months.”

NO REGRETS: “I've never ever regretted letting anybody go. What I realized over time was, by the time you make a move like that, the rest of the team already knows that person is not right.”

GET CLEAR: “We made mistakes on hires because of lack of fit for our culture--we were not clear on on our culture and who would be a good fit.”

60% OF SUCCESSFUL COMPANIES FOCUSED ON BUILDING...

A Sales-Oriented Culture

	IPR	MVP	MVR	MVT
REVENUE				
PRODUCT				
TEAM				
SYSTEMS				



The 60% who built a sales culture created products customers wanted

SELL: “What I really wanted to make sure of is that everyone knew we were in business to sell software, not just build software.”

PROFIT: “We tried to build a culture of profitability from the outset.”

EXPERIMENT: “I intentionally built a sales culture on experimentation and continuous improvement.”

80% OF SUCCESSFUL COMPANIES HAD A CLEAR...

Plan for Profit, Revenue & Growth by the MVR Stage

	IPR	MVP	MVR	MVT
REVENUE				
PRODUCT				
TEAM				
SYSTEMS				

The 80% who had a clear revenue & growth plan by MVR said:



GET CLEAR: “I had a clear financial and pricing model before going out to market.”

DEMO: “I did demos with 10 versions of the products at least before we had a release version. I was giving demos every one of those 90 days that we've not yet launched.”

GET PAID: “I had five companies ready to pay before launch.”