

CASE 12

Salesforce.com: Responsible Cloud Computing

INTRODUCTION

Salesforce.com is a cloud computing company and customer relationship vendor. It distributes cloud computing software to businesses to help them manage their sales. Companies can use Salesforce.com's subscription service to purchase products that will help them record, store, analyze, share, and act upon business data. In doing so, businesses are able to efficiently manage customer accounts, track sales leads, evaluate marketing campaigns, and provide post-sales service. Salesforce.com has recently developed new and innovative products to help businesses understand their customers. Salesforce Touch, for instance, makes it easier for salespeople to interact with clients using Salesforce.com tools through apps on their mobile devices.

Salesforce.com is currently the business leader in the industry and has expanded greatly since 2006. Unlike so many companies, Salesforce.com grew during the recession. In a time when companies needed to focus on their customers, Salesforce.com responded with quality Customer Relationship Management (CRM) products to offer a valuable solution. Today, Salesforce.com has over 100,000 customers.

While Salesforce.com is admired for their products, they are also viewed positively from an ethical standpoint. Due to a concern for their voluntary responsibilities and their workforce, Salesforce.com has been nominated onto *Fortune* magazine's "100 Best Companies to Work For" for the past six consecutive years. Additionally, the Ethisphere Institute has selected Salesforce.com as one of its "World's Most Ethical" companies every year since 2008.

This case will provide a brief history of Salesforce.com, including describing some of the products they offer as well as ways in which they incentivize their sales force. Additionally, we examine Salesforce.com's corporate social responsibility initiatives and the impact they have had upon stakeholders. Finally, we look at issues facing Salesforce.com as well as its future plans.

HISTORY

In 1999 partners Parker Harris, Dave Moellenhoff, Frank Dominguez, and former Oracle executive Marc Benioff founded Salesforce.com as a company that offered software as a service; it has now grown to a company leading the cloud computing software industry. In 2000, it opened headquarters in San Francisco, with regional headquarters in Dublin (covering Europe, the Middle East, and Africa), Singapore (covering the Asia Pacific), and Tokyo (covering Japan). Other major offices are located in Toronto, New York, London, Sydney, and San Mateo, California. Salesforce.com's services have been translated into 16 different languages. Within a year of business, the company attained 1,500 customers and 2,100,000 subscribers. Each year in business brought an average of 10,500 customers into the cloud computing market.

Salesforce.com software is comprised of several categories: Sales Cloud, Service Cloud, Data Cloud, Collaboration Cloud (including Chatter), and Custom Cloud (including Force.com). The Sales Cloud allows for sales representatives to focus on selling instead of worrying so much about the administrative side of business. The Service Cloud allows companies to provide faster and more responsive service across every channel, which makes it easy to connect service applications with popular Web communities such as Twitter and Facebook. Data Cloud Collaboration includes Jigsaw, which delivers in-depth titles so companies can bypass unproductive contacts and get straight to the right people. The Collaboration Cloud claims to be the best way to collaborate at work. Employees can work more efficiently and closely with colleagues on their own private and secure social network—Chatter. Chatter automatically pushes updates on the people, projects, and data that matter most to employees. Custom Cloud is a platform for building individualized apps. Businesses use Force.com to build apps and create websites easily and quickly.

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ethical, or legal decision by management. All sources used were through publicly available material.

One client of Salesforce.com that has benefited from its services is General Electric (GE) Aviation. GE Aviation uses Salesforce.com tools to connect with customers and collaborate with one another. For instance, GE Aviation uses Chatter to connect sales and marketing people, enabling them to provide quick feedback and share information quickly and efficiently. The chief marketing officer of GE has praised the ability the firm has with Salesforce.com technology to gather real-time information.

In addition to offering superior products that help companies better manage their sales forces, Salesforce.com also offers many incentives to their employees. On average, Salesforce.com pays their employees competitively (the average pay is more than \$300,000) and provides lucrative benefits to employees to ensure satisfaction. Some of the substantial benefits include paid holidays, a wellness allowance, education reimbursement, and volunteer time off. One of its newest perks include a communal workspace where up to six employees can bring their dogs to work. Salesforce.com adopted a separate workspace to balance the needs of employees who are allergic to dogs.

Along the way, Salesforce.com has developed partnerships and embarked upon multiple acquisitions in order to increase their market share. The company has acquired many other companies, including GroupSwim (2009), Jigsaw Data Corp. (2010), Radian 6 (2011), and ExactTarget (2013). These acquisitions have enabled Salesforce.com to offer more diversified CRM software. Customers can now manage finances, customer accounts, call logs, emails, and much more through one system, which makes business operations more organized and functional.

ETHICAL CONDUCT

The Salesforce.com Foundation is based on a simple idea: donate 1 percent of Salesforce's resources to support organizations that are working to make the world a better place. The organization takes just a fraction of Salesforce.com's time, product, and equity and gives it to social-change organizations so these organizations can amplify their impact. From the beginning, Marc Benioff wanted to incorporate a philanthropic aspect to his company. He decided to implement the 1-1-1 initiative to extend the reach of Salesforce.com and provide a vision for the Salesforce.com Foundation. Thanks to

Salesforce.com's impact, many other companies, including LiveOps and NewVoiceMedia, are also incorporating the 1-1-1 model into their business operations.

One Percent Time

Every year Salesforce.com employees receive six paid volunteer days off in order to respond to community needs around the globe. The company believes that through doing this they can promote a culture of care and help. Each employee is encouraged to contribute to nonprofits that they are passionate about and help those organizations grow and prosper. To date, volunteers have supported nonprofits across the country and around the world with more than 580,000 hours of service. In addition to volunteering in their communities, some employees also volunteer their technical skills by offering to help organizations in the Power of Us program learn how to use Salesforce.com technology. By implementing this business practice, employees at Salesforce.com became more satisfied at work.

One Percent Equity

Salesforce.com donates 1 percent of its capital to the Salesforce.com Foundation. The Foundation's annual granting program focuses on empowering organizations that have a proven commitment to the 1-1-1 model and that are using technology in innovative ways. Founding stock from Salesforce.com provides funds for grants, with a specific focus on supporting youth, technology innovation, and employee-inspired volunteer projects. The Salesforce.com Foundation has given more than \$65 million in grants since its inception in 2000. Nonprofits currently using Salesforce.com's CRM are eligible for these grants, which fund customizations that will provide measurable benefits to the organization and other nonprofits. In 2014, Salesforce.com announced a new grant program called "Force for Change," which will provide up to \$1.5 million in grants to nonprofits or higher education institutions that focus on developing Salesforce applications to improve the industry.

Additionally, for every ten hours that an employee volunteers with a nonprofit, the Foundation will grant \$100 to that organization (with an annual maximum of \$500 per employee). This provides employees with an additional incentive to volunteer.

One Percent Product

More than 22,000 nonprofits and higher education institutions of all shapes and sizes are using Salesforce.com to take their organization's impact to a new level. The Salesforce.com Foundation has created a program called the Power of Us with an emphasis on nonprofit organizations and higher education institutions. The company provides the organizations with product donations of the initial ten licenses and steep discounts on all future licenses and products to fuel this transformation. The company donates Salesforce.com CRM licenses to help nonprofits increase their efficiency so they can focus their time and resources on the organization's core mission.

Salesforce.com has also formed a global coalition with its customers and partners that are working to make a positive impact on the environment. Salesforce.com encourages companies to use its products in order to reduce the company's environmental impact; it claims that operating with the cloud is 95 percent more efficient than on premises technology. Through tests, Salesforce.com has found that on average 95 percent less carbon is released and consequently fewer greenhouse gas emissions. Salesforce.com has architecture that is multitenant, which means it is a shared utility in order to optimize computing resources across all its customers. Because of this, using a remarkably small number of servers saves energy in the following ways:

- Optimized runtime processing
- Optimized storage
- Predictable load balancing
- Continual analysis and energy improvement
- Energy efficient servers
- Micro-energy management
- Optimized power consumption
- Standardized architecture

AWARDS

Salesforce.com has received over 40 awards for their social contributions and ethical business practices. In receiving these awards, Salesforce.com has proven that conducting their business in an ethical manner has proven beneficial not only to their company but to their shareholders and customers as well. Listed below are some of the awards Salesforce.com has received:

Stevie Awards: Data.com Best New Marketing Solution, 2012

CRM Excellence Award: Best Enterprise Suite CRM, 2011

CRM Market Award: Service Leader, 2011

eWeek Product of the year: Chatter, 2010

Fortune: The 100 Best Companies to Work For

Ethisphere: World's Most Ethical Companies

Forbes: World's Most Innovative Companies, 2011, 2012, 2013

CHALLENGES

Because Salesforce.com is a completely online based system, it could face significant challenges. Unlike traditional business computing systems, which are local to an organization's network and the individual employee's computer, Salesforce.com requires the use of the Internet. Internet crashes and even wide-scale hacking is a risk for all Internet companies and programs. Because Salesforce.com relies so heavily on the Internet, problems with the Internet or from outside forces could be damaging.

However, since its inception in 1999, Salesforce.com has improved their ability to stay online. When first developed, loss of connectivity was a weekly problem. Yet it seems that since 2005, Salesforce.com has had only a few incidents per year pertaining to major network issues. As Salesforce.com continues to grow and accumulate more customers, the issue of being offline, even for a few hours, could yield catastrophic effects. As recently as January 2011, Salesforce.com had what they called "availability" issues. While it seems that these issues lasted just over two hours, it left countless people unable to do their jobs. Furthermore, there is no way to track how often individuals lose their connectivity and are left out of work. This is a risk that people who choose Salesforce.com must face—and a risk that Salesforce.com must continue to address in order to reassure its clients.

On top of a total loss of connectivity, there are cases in which customers have had issues with Salesforce.com. These issues are typically accompanied by slowness in the general system, along with some applications not functioning. This is yet another risk that comes with cloud computing.

Some investors are also worried about Salesforce.com's many acquisitions. For instance, Salesforce made its largest acquisition to date of ExactTarget for \$2.5 billion. After the announcement, Salesforce stock fell, signaling investors' concerns about the benefits of the acquisition. Acquisitions can be tricky because of the costs involved as well as whether the acquired company will fit into the acquiring company's strategy. Many companies lose money on their acquisitions, which harms shareholders because they lose value on the deal. According to some investors, Salesforce.com has had inconsistent profitability, which places into question their wisdom of acquiring a variety of companies in a short period of time. Only time will tell whether Salesforce.com's acquisitions will benefit stakeholders in the long-term.

Another challenge that Salesforce.com has encountered along the way has come in the form of stock options. Many, specifically within the industry, have speculated about this ethical dilemma. Since the beginning, Salesforce.com has predominantly maintained a high stock price, and many attribute it to institutional ownership. It has been said that the market has not been able to access the stock, which has created an inflated price. This has led many to question whether this action is ethical due to the potential of overvaluing the company.

CONCLUSION

Cloud computing has proven to be a highly successful industry. As Salesforce.com is at the top of the totem pole among its peers, the natural question must be what's next for this heavyweight? There are numerous opportunities Salesforce.com is examining. The U.S. government is currently considering cloud computing, along with other large organizations. This could represent a major opportunity for Salesforce.com.

Salesforce.com is a remarkable company which has proven to be not only a successful business but also an organization that reaches beyond their doors to the community. It has become so successful that it announced its intention to lease the tallest building in San Francisco with rent at approximately \$83 per square foot! While Salesforce.com's future forecast has a positive outlook, the challenge now will be to show people that they have a solidified core competency. Although Salesforce.com may have few competitors, their consistent customer service, positive community

outreach, and diversification of services has propelled Salesforce.com into becoming the dominating company within the cloud industry.

Questions for Discussion

1. How has Salesforce.com created an ethical culture?
2. What are some of the ethical challenges that Salesforce.com faces?
3. How has Salesforce.com integrated philanthropy into its operations?

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