When Christopher Cabrera was working in sales for a large Silicon Valley company in the 1990s, he received a bonus check that by his calculation should have been for eight thousand dollars. Opening the envelope, he found that it was instead made out for $80,000, so he took the check back to the finance department.

“They thanked me profusely,” he says, “and told me that if I hadn’t called it to their attention, they would probably never have caught the mistake.”

That personal experience was an early window on to the problems with incentives and compensation plans, an area in which Cabrera, who earned his MBA at the Leavey School of Business in 1997, is now an authority with worldwide recognition.
The company he founded in 2005, Xactly Corp., helps businesses of all sizes deal with their incentive and compensation issues.

Xactly, headquartered in downtown San Jose, now has more than 600 clients, ranging in size from American Express and Bank of America to smaller operations that can count the number of sales reps on their toes and fingers. It has been named to the Wall Street Journal’s list of “Top 50 Venture Backed Companies.” And it probably never would have been started if Cabrera’s employer in 2004 had bought his pitch instead of firing him.

Cabrera at the time was selling incentive-compensation software that the purchasing companies owned directly, which meant the cost was so high that only the largest corporations could afford it. He made a sales call on Steve Cakebread, CFO of salesforce.com, who refused to buy his product but told Cabrera that if he started a company to make such software available on the cloud, Cakebread would be the first customer.

That conversation led Cabrera to become a passionate advocate of cloud software, which would allow companies to license it for monthly fees that reflected their needs. But the company he worked for had no interest in the idea and finally fired him for pushing it so aggressively. It was at that point that he decided to start Xactly and realized the full benefit of his Santa Clara University degree.

“When I made the decision to become the founder of my own company,” Cabrera said, “the things I learned at Santa Clara about teamwork and the relationships that I had made there gave me confidence and credibility. I always felt I could go toe-to-toe with anybody.”

Xactly deals with incentive and compensation questions in two general ways. One, which addresses issues of the sort raised by Cabrera’s wildly inaccurate bonus check, is to develop and license cloud software that enables companies and sales reps to track incentive-based compensation in real time and all but eliminate calculation errors.

These problems, Cabrera says, are a CFO’s nightmare. There are currently 13.5 million sales people in the United States with annual compensation of more than $820 billion. That compensation is often based on plans with multiple elements that can be confusing and lead to mistakes. When a company runs the calculations on an ordinary spreadsheet, the known error rate runs to 10 percent, which adds up to a lot of money incorrectly spent.

In addition to developing and licensing software, Xactly uses the information on its clients’ compensation structures, in redacted form, to help other clients design better compensation and incentive systems than they currently have.

“We have the ability to mine our data for insights and benchmarks,” Cabrera says. “We can take the compensation plans that work best and look backward to their structure. Then we can provide our other clients with a set of best practices. We don’t design plans for them, but we provide them with the data and the software tools to create and implement their own plans.”

His work in this area led Cabrera to write a book, Game The Plan: Every Sales Rep’s Dream; Every CFO’s Nightmare, released early this year. Fittingly, the introduction is by Steve Cakebread. Its purpose, he says, is to encourage companies to work on incentives and compensation programs that will reward sales people for selling in a way that effectively works toward the firm’s best interests.

Most companies think that’s what they’re already doing, but far too often, Cabrera says, sales reps will “game” the system in ways that ratchet up their compensation without helping the company all that much. A key point of his book is that CFOs shouldn’t fret about that gaming tendency, but rather design an incentive and compensation system that better benefits the business when gamed.

“It’s all about the behaviors of people,” he says. “Sales reps are hard-wired toward going for that dangling carrot. The company should take advantage of that by paying in the right ways, compensating to drive the right behaviors, and designing better incentives and compensation plans in the first place.” —MW

After earning his MBA at Santa Clara, “I felt I could go toe-to-toe with anybody.”
In on the Ground Floor
How an Internship Led to Startup Management Role

FROM INTERN TO HR: The California Program for Entrepreneurship (CAPE) gave Natasha Wallace new skills to lead her start-up’s talent search.

How does an English major with no business background end up doing high-level work at a tech startup right after graduation? For Natasha Wallace the answer had a lot to do with Santa Clara University’s Silicon Valley location and the willingness of alumni to recruit current students.

Wallace, who graduated in 2010, came to SCU as an English major who had an interest in art but didn’t know if she could make a living at it. Kelly Detweiler, then the head of the art department, thought she could and encouraged her, while professors Kathy Aoki and Marco Marquez gave her a solid grounding in digital art. Midway through college, Wallace changed to a double major in English and Studio Art with an emphasis on digital art.

It was a low-tech corkboard that provided Wallace with her entrée into the high-tech world. Walking past the board her senior year, she saw a Pokémon figure on a flyer and stopped to find out more.

“I was a big fan of Pokémon in the 90s,” she says, “and the flyer said, ‘Do you want to make video games?’ They were looking for an art intern, so I set up an interview with Josh Chan, their marketing lead and human resources director.”

Chan, who received an MBA from the Leavey School of Business, was one of four Santa Clara grads (the others were Dyuman Bhatt, Jason Giang and Chris Blanco) starting a company called Red Seraphim. Their idea was to create a social game, meaning people could play together from remote computer locations, along the lines of Pokémon. Chan hired Wallace as a summer intern.

The summer after her graduation, Wallace did numerous sketches for the game while others worked on other aspects of it. A critical goal of the company was to develop software that would allow people to play the game together using different platforms—for instance a laptop and cell phone. That technology wasn’t widely available then, and Red Seraphim’s founders figured it would be a big selling point.

Wallace was soon promoted to art director, and as it began to look like the startup was on to something, she found herself helping Chan bring other people on board.

“The word got around that there was this group of Santa Clara students making a video game,” she says. “We participated in a job fair on campus looking for unpaid interns and got 80 applications.”

She was made human resources director at the new firm, and Bhatt, the CEO, thought she might benefit from a quick business program, so he suggested she look into CAPE, Santa Clara’s California Program for Entrepreneurship. Offered through the Center for Innovation and Entrepreneurship (CIE) at the Leavey School of Business, CAPE offers an intensive six-month weekend program for working and would-be entrepreneurs. She was accepted into the program for the latter part of 2011.

“I was the second youngest person there, but I had actually been involved in starting a business, where for other participants...”
it was still a conceptual idea,” she says. “I really enjoyed the learning process, especially the legal boot camp and learning about accounting, copyright and marketing.”

At the end of CAPE’s courses, Wallace had to make an oral presentation and was dreading it, but drew strength from one of her undergraduate English instructors, Father Ted Rynes.

“He’s a gifted speaker, and watching him discuss literature in class made me excited about whatever we were studying that day,” she says. I would often think of his lectures when I was preparing for my CAPE presentation because I wanted to evoke that same feeling in my audience.”

“Red Seraphim ended up being a success story. It incorporated in 2011, and in 2012, a Canadian firm bought it, largely to acquire the multi-platform gaming software it had developed. The founding team dispersed and moved on, and Wallace is now working in the art department for eBay advertising, where she has been the last year and a half.

She says she treasures the entrepreneurial experience she had at Red Seraphim and feels the fast-paced startup environment opened doors for further opportunities in visual design. And wherever she ends up, she figures her English degree will be an asset.

“I felt that my English background played a big part in the good experience I had at Red Seraphim,” she says. “A big part of being an entrepreneur is learning to communicate, and I feel that my education has given me the skills to analyze information and say things in a way that makes sense to people.” —MW

The Interactive Customer
Helping Stores and Shoppers Communicate on Site

When a customer logs on to Amazon, the company immediately knows she’s there and what her interests and past purchases have been. When the same customer walks into a traditional retail store, the retailer has no idea. Kevin Beals ’95 is working to change that in ways he hopes will benefit both business and customer.

In 2010, drawing on their experience in Wi-Fi startups, Beals and Bryan Wargo ’95, both Santa Clara University alums, decided to turn their expertise to the retail world. Along with fellow Santa Clara grad Mark Jamtgaard ’95 and engineer Nate Mueller, they launched Nearbuy Systems, with the goal of helping conventional retailers use Wi-Fi and mobile devices to communicate with customers while they are in the store.
“We see ourselves as bringing e-commerce analytics to brick-and-mortar stores,” Beals says. “E-commerce retailers constantly track their customers and know much more about them, but in a conventional store, the customers aren’t visible to the store until the time of purchase, and only then if they use a credit card.”

The key to doing this without running afoul of privacy issues, he says, is to create an opt-in system in which the customers use the store’s Wi-Fi, which then alerts the store to their presence. Anyone concerned with privacy, or who doesn’t want to communicate with the store while in it can simply not use the store’s Wi-Fi system.

An example of how this might work would be that a customer comes into a large department store and logs on to the guest Wi-Fi network. The store could check the customer’s records, see that the person bought a certain brand of shoe there a while back, and send a text message advising that the same brand of shoe is now on sale.

Beals says that research shows that 50 percent of all retail sales today have some Web influence—that is, people have researched either the product, the retailer, or both, online. Because people are using the Internet as a shopping aid, stores and customers can benefit from interacting online, even when the customer is inside the store.

“We think the outcome of this will be a better shopping experience for the customer,” as well as a benefit to the retailer, Beals says. “It will take some time for people to get used to interacting with a retailer on a mobile device in-store, but we think they’ll get used to this and not mind the privacy issue.”

At the end of 2013, RetailNext, another private company specializing in comprehensive in-store analytics, purchased Nearbuy. It’s a great fit, Beals says, because the two firms are doing similar but not overlapping work. He is staying on with RetailNext as vice president of finance.

When Beals graduated from Santa Clara University with an accounting degree in 1995, the last thing on his mind, he says, was starting a business. He started his career in public accounting at Frank Rimerman & Co., a regional accounting firm that mostly worked with private companies.

“I wanted to provide value,” he says. “We had a consulting arm that worked with smaller companies, helping them do what they needed to do to be entrepreneurs.”

After four years of public accounting, he caught the entrepreneurial bug himself. He and Wargo started a company called 2Roam. In those pre-smart phone days, they aimed to enable companies to make the most of their wireless devices. They developed a plan for eBay and took it live in seven countries. At one point they had 150 employees. Then the dot-com crash hit.

“When we started 2Roam, we had to spend a significant amount of money on back-end infrastructure in order to do our jobs. Now you hardly need to buy anything. Instead, entrepreneurs are able to focus their attention on what they are good at—innovating,” —MW

“It’s easier to start a company now than it was 10 years ago, with all the technology such as wireless networks, cloud storage solutions and Gmail.”

They sold 2Roam to a competitor, after which Beals moved on to a startup called Airwave Wireless, a hotspot provider that evolved into a Wi-Fi management business. In 2008 it was acquired by Aruba Networks, and he stayed with them until 2010, serving as worldwide sales controller before leaving to start Nearbuy.

He also is serving on the advisory board of the Center for Innovation and Entrepreneurship at the Leavey School of Business, an experience he says both energizes him and reminds him of how the entrepreneurial world has changed in the past two decades.

“I really enjoy being a part of it and seeing how many young entrepreneurs there are now and the amazing things they’re doing,” Beals says. “It’s easier to start a company now than it was 10 years ago, with all the technological advances such as wireless networks, cloud storage solutions and Gmail.

“When we started 2Roam, we had to spend a significant amount of money on back-end infrastructure in order to do our jobs. Now you hardly need to buy anything. Instead, entrepreneurs are able to focus their attention on what they are good at—innovating,” —MW
In 1933 Charles Louis Arolla, a 23-year-old who had come to America from Italy at the age of three, decided to open his own drugstore at 40th Street and Telegraph Avenue in Oakland, California. Brimming with self-confidence, he was undeterred by the Great Depression (at almost its worst point then), competing with drugstores on two of the three other corners at that intersection, and the fact that he hadn’t yet received his state pharmacist’s license. He’d taken the State Pharmacy exam, after all, and was sure he’d passed. So he was stunned to receive a letter saying he hadn’t. Arolla happened to know a local judge, who accompanied him to Sacramento, where they demanded a review of the test. The graders had indeed erred in grading his exam, and he got his license and was able to open the pharmacy, for which he had already ordered inventory.

Arolla’s Pharmacy was a success, much of it owing to the owner’s tireless effort. He worked from 7 a.m. to midnight seven days a week and checked the prices in his competitors’ windows regularly—the better to undercut them. Years of working at Delucchi’s Pharmacy, an Oakland institution, as a youngster had taught him how to deal with people and provide customer service. His formal education consisted of a high school diploma and a few pharmacy courses in San Francisco, but he liked to say he was a graduate of the “School of Hard Knocks”.

“In many ways he was a product of the Depression,” his son—also named Charlie—says. “He worked long hours and saved his money. He could afford a Cadillac, but always bought them used, after that first drop-off in depreciation.”

The pharmacy was only the beginning of Arolla’s business career. He went on to acquire other retail businesses, and following the end of World War II got into commercial development and property management. After more than three decades in that field, he could claim that every single venture of his had been a success, largely owing to the fact that he personally oversaw the management of his properties. Arolla actively managed his properties into his late 90s and renewed his pharmacy license every year until he died in June 2011, at the age of 101.

“The pharmacy was only the beginning of Arolla’s business career. He went on to acquire other retail businesses, and following the end of World War II got into commercial development and property management. After more than three decades in that field, he could claim that every single venture of his had been a success, largely owing to the fact that he personally oversaw the management of his properties. Arolla actively managed his properties into his late 90s and renewed his pharmacy license every year until he died in June 2011, at the age of 101.

To honor the senior Arolla’s memory and his business acumen, Charlie’s son has created the Charles Louis Arolla Endowment supporting the Center for Innovation and Entrepreneurship at the Leavey School of Business. The younger Arolla, Charles Robert, is an SCU alumnus (’68), who served with the police department of the city of Santa Clara for more than 30 years, then finished his career as SCU’s campus safety director, retiring in 2010.
“I wanted to memorialize my father’s success and ensure that his name would live on beyond my time,” Charlie says. “My father was an innovator and entrepreneur, who worked hard and achieved success, but he also was a caring individual, who was well respected, and someone people came to for advice.”

Charlie says as he was growing up, his father devoted most of his life to work, but that later on the two of them were able to establish a deep connection. Although he knows much of his father’s story, he regrets that there are gaps in it that he will never be able to fill now.

“Based on my experience with my father, I’d make two admonitions to people,” Charlie says. First, entrepreneurs need to make time for their family and should keep a close eye on family relationships where there’s a business involved. Second, if you have parents or grandparents who are still alive, sit down now and write down their story so you have that history.”

Charles Louis Arolla’s lifetime of hard work, persistence, and personal involvement in his businesses became a legacy for his family and a proud standard for entrepreneurs working in the Center for Innovation and Entrepreneurship. —MW

**Alumna “Givves” Back**
Social Entrepreneur Helps You Purchase What You Preach

“What will I contribute?” is a question many ask themselves, and alumna Ashely Howell, MBA ’13, has been working on the answer most of her life. Her undergraduate studies in public policy, and peace and conflict at USC showed her a significant cause of world conflict—the inequitable allocation of economic resources.

“If you teach people early about how to support the lives they want to live, you can hopefully stop future conflict,” Howell concluded, and she began searching for ways to help. This objective led to an interest in social entrepreneurship, to Santa Clara University, and—in March—to the launch of Givve, an online marketplace exclusively for charitable fashion products.

Inspired by her childhood fascination with her mother’s Vogue magazines and the frequent volunteer work she did, Howell combined two of her passions—fashion and charity—by developing a showcase for high-fashion designers and products that give part, or all, of the proceeds to charity. “I look for brands that partner with charities when I shop,” says Howell. “I was sure there are more people out there like me, but there was no site that focused solely on those partnerships. That is Givve’s niche: a place for people to mindfully shop.”

Her Santa Clara University MBA program was integral in the development of Givve, says Howell. Getting to know local executives and SCU alumni through the School’s Center for Innovation and Entrepreneurship while being mentored by business school faculty prompted her to pursue Givve as her thesis project. Under the guidance of Kirthi Kalyanam, professor of marketing and director of the Retail Management Institute, she turned her idea into a viable project and began pulling together partners from fashion and technology to develop the Givve website (www.shopgivve.com).
Givve’s first partner was ONE.org—the international non-profit fighting poverty and disease, and within three weeks of launch, high-end designers were requesting to be featured on the site. “We want to highlight our designers’ and users’ passions,” Ashley said. “We do this by featuring a breadth of charities and products.”

Currently working for a large defense contractor, Ashley considers herself a tech person with fashion interests. She sees the convergence of tech and fashion growing, and is happy to be a part of it.

Working towards that culture of “Giving”—that of conscientious purchasing—she is answering the question she has asked herself for so long.

“Rather than having people say ‘What will I buy today?’, I want people to say ‘What will I Givve today?’” says Howell. —AR

Givve is “a place for people to mindfully shop.”