



# Bret Taylor Faces His Biggest Test at Salesforce

Salesforce's No. 2 executive is seen as a possible successor to CEO Marc Benioff. But first he'll have to prove he can help Slack, the company's newest acquisition, get much bigger. Microsoft has other plans.



Salesforce president and chief operating officer Bret Taylor at a Salesforce conference in 2019. Photo provided by Salesforce



By Kevin McLaughlin



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**F**ive years ago, Salesforce paid \$750 million to buy a startup called Quip that made an internet-based word processor and spreadsheet app meant to give Microsoft's competing Office products a run for their money. That didn't happen, but Salesforce did get a valuable asset out of the deal: Bret Taylor, Quip's founder, who has risen to become the No. 2 executive at Salesforce.

Now Taylor has the job of making sure the biggest deal in Salesforce's history—its nearly \$28 billion acquisition of Slack Technologies, which closed last week—works out better than its purchase of his startup did. Like Quip, Slack faces the formidable task of competing with a product from Microsoft, one of the most entrenched and powerful companies in enterprise software. While Slack has **complained** to regulators that Microsoft isn't playing fair in the market, even some fans of Slack's quirky messaging tool say innovation has stagnated at the company.

In an interview with The Information on Friday, Taylor described the integration of Slack with Salesforce as “probably my most important job right now.”

#### THE TAKEAWAY

- Bret Taylor says integrating Slack with Salesforce is his top job
- Salesforce's stock has suffered since the deal was announced
- Taylor has taken on more visible role at Salesforce during pandemic

Taylor—a well-liked Silicon Valley product wizard who was involved in the creation of Facebook's like button and Google Maps—will have to find ways to quicken the pace at Slack and integrate the product with Salesforce's customer relationship management software.

“I joke with Stewart, a lot of entrepreneurs set out to change the way people work. Slack did, and maybe Quip, not so much,” Taylor said, referring to Slack CEO Stewart Butterfield. “We

and maybe Quip...not as much," Taylor said, referring to Slack CEO Stewart Butterfield. "We changed the way some companies work. But I think that ambition to really transform the way people work is a somewhat audacious thing...and I think Slack is probably the one company of this generation that really did."

The central role Taylor is expected to play in integrating Slack is another sign of his rising profile at Salesforce, the San Francisco-based enterprise software giant. CEO and co-founder **Marc Benioff** remains the public face of the company and one of the highest-profile executives in tech.

But inside Salesforce, Taylor is viewed as the person effectively in charge of running day-to-day operations at the company, according to current employees. During the pandemic, employees say, Taylor became even more visible than Benioff on internal video calls—Taylor and other executives host an all-company call once a week to help employees stay connected. **Fortune** reported in June that Benioff himself—who owns Time magazine and has a variety of philanthropic endeavors—has estimated that he spends between 50% to 75% of his time on projects unrelated to Salesforce.

"Marc is incredibly involved in the business," said a spokeswoman.

Taylor's rise at Salesforce reflects a longstanding effort by Benioff to inject new energy into the company's senior ranks, staving off the lethargy that has afflicted many large software companies. One of Benioff's tactics is to rapidly elevate entrepreneurs who arrive at Salesforce after it has acquired their startups. None of them has risen quite so rapidly as Taylor, though, which has led to wide speculation that Benioff is quietly grooming Taylor to succeed him as CEO or join him as a co-CEO.

Taylor's future chapters at Salesforce will likely depend partly on how successful Slack is at the company. While the pandemic led to explosive growth in some business communications tools used by remote workers—such as Zoom's video-calling software and Microsoft's equivalent of Slack, Teams—Slack's revenue growth rate declined.

"The biggest challenge for Taylor will be resolving the dichotomy between Slack's independence with Salesforce's need to generate value from the acquisition," said Anshu

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Sharma, a former Salesforce vice president who is now CEO of Skyflow, a data privacy

startup. "They have to make it more attractive for Slack customers to use Salesforce and vice versa, which requires more integration between their products."

Investor concerns about Slack's future have weighed on Salesforce's stock ever since it announced the acquisition last December. The company's shares are up only 3% since the deal was announced, compared to 20% for the Nasdaq Composite Index and 34% for Microsoft.

"The main overhang on Salesforce's stock has been the Slack acquisition," said Dan Ives, an analyst at Wedbush Securities. "It was dilutive and continues to be a head-scratcher for some investors. It was the right move strategically, but it has put the stock in the investor penalty box."

### **'The Air Felt Different'**

Taylor established his technical bona fides working on a couple of legendary Silicon Valley projects. After receiving bachelor's and master's degrees in computer science from Stanford University, he joined Google in 2003 and went on to lead the engineering team that built Google Maps, which provided navigational tools that seemed light-years ahead of competing maps software at the time.

He later left Google to co-found FriendFeed, a social networking startup whose chief innovation was a forerunner of the Facebook button for liking content shared by people on the network. Facebook acquired FriendFeed in 2009 and adopted the feature as its own, and Taylor became its chief technology officer for three years.

In 2012, Taylor and Kevin Gibbs started Quip with the goal of creating a successor to Microsoft Office that would make it easier for users to work on documents and spreadsheets on mobile devices. The idea—fueled by skyrocketing usage of iPhones and iPads by professionals at the time—had a then-novel feature that competitors later copied: an embedded chat thread where users could communicate within documents.

Salesforce bought Quip at a time when Benioff was seeking to infuse the company's traditional business applications with consumer-friendly interfaces as a way to keep pace with new products coming from startups.

One former Salesforce executive said Taylor's arrival caused a change in the tone of meetings at Salesforce, a company where sales and marketing teams rule the roost and engineers frequently play second fiddle. "The air felt different and everyone upped their game a bit," said the former executive. "I mean, Bret helped create Google Maps—he's the reason my parents can find the doctor."

Born and raised in the San Francisco Bay Area, Taylor is an avid sports and rock music fan with a low-key personality. Even after making a fortune selling Quip to Salesforce, he drove a beat-up 1970s Volkswagen bus that he had had since high school (he no longer has the car, Taylor said).

Taylor has a dry sense of humor and doesn't take himself too seriously. His presence on Twitter—a company whose board he has served on since 2016—is a mix of earnest Salesforce promotions, sports partisanship and inspirational quotes. "If you meet an asshole in the morning, you met an asshole," he **tweeted** in May, a **modified quote** from a character from the television show "Justified." "If you meet assholes all day long, you're the asshole."

Taylor often tells Salesforce employees that while he has "strong opinions," they are "loosely held," meaning that he's pragmatic and can be swayed by persuasive data and alternative points of view, according to two former colleagues. That is a contrast to Benioff, who is known for relying on a blend of gut intuition, advice from trusted advisers and customer feedback. Benioff will often make decisions that contradict available data, said a former employee.

Taylor personally wrote much of the code for Quip and is still listed in the GitHub account where Quip stores its code. Last year, a junior Quip engineer accidentally sent a code review request to Taylor, thinking it was a different Bret, said Gibbs, the Quip co-founder. The gaffe mortified the junior engineer, but Taylor promptly reviewed the code and approved the change instead of rebuking the engineer.

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According to two former Salesforce employees, Quip didn't fulfill its promise in part because it hasn't been well integrated with the rest of Salesforce's products, and also because it didn't work well enough as a standalone messaging application

While Taylor's roots are in developing new products, he has shown an unexpected aptitude for spending time with business customers—an important skill at a sales-centric company like Salesforce. In the years after Salesforce introduced a revamped version of its Lightning customer management software in 2015, some customers complained about the changes. In meetings, Taylor persuaded many of them to give the new version a chance, said two former Salesforce employees.

In fact, Taylor has been such a hit with customers that some of them began asking a few years ago to meet with him rather than Benioff for sales discussions, a former Salesforce employee said.

### **Heirs Apparent**

Taylor's current heir-apparent status at Salesforce could be fleeting. In the past, executives who appeared to be next in the line of succession suddenly left the company or moved into a different role. In February 2020, Salesforce unexpectedly announced that Keith Block—then the co-CEO of Salesforce—would be leaving the company. The move came a few months after Benioff announced Taylor's promotion to COO from chief product officer at Dreamforce, Salesforce's annual conference.

A Salesforce spokeswoman declined to comment. Block didn't respond to requests for comment.

For now, though, Taylor and Benioff appear to be close. Taylor said he talks to the Salesforce CEO everyday. And his responsibility for making the Slack deal work is another sign of the trust Benioff puts in him.

One of the biggest risks for Salesforce is that Slack has already lost too much momentum to Microsoft in the category. The Redmond, Wash.–based software giant has relentlessly promoted Teams as part of its Office 365 suite of cloud productivity applications. In June, it upped the ante by revealing plans to integrate Teams directly into the next version of Windows.

Microsoft has many Fortune 500 customers that get Teams as part of volume licensing agreements typically including access to multiple Microsoft products. One such customer is Walmart, which recently began telling its employees that Teams is their official chat and collaboration tool and that Walmart groups will have to begin paying an extra \$100 a year annually for each user who wants to continue using Slack, said a person with direct knowledge of the matter.

A Walmart spokesman declined to comment. A Salesforce spokeswoman didn't have a comment.

Last July, Slack filed an antitrust complaint with the European Commission claiming that Microsoft is illegally using its market dominance in productivity applications to stamp out competition. The complaint remains unresolved. Microsoft denies it has done anything wrong and says Slack has lost ground because Teams does a better job of integrating messaging and video calling. One proof of this, Microsoft says, is that another company in business communications, Zoom, has continued to grow much more strongly than Slack.

When asked multiple times whether he agrees with Slack's past complaints about Microsoft's behavior, Taylor avoided answering the question directly. "We think by focusing on delivering more valuable solutions to our customers—that puts us in the best competitive position," he said.

One tool that could help Salesforce boost sales of Slack is a program Taylor devised called Customer 360, which aims to entice companies to purchase Salesforce's full range of applications. It does so by adding software integrations that let them access data from Salesforce's core customer management platform. The company sees this strategy as key to enabling Salesforce to hit Benioff's target of \$50 billion in annual sales in the next five years.

"We plan to deeply integrate Slack into the entire Customer 360," said a Salesforce spokeswoman. "We've seen a lot of success with customers using Slack and Salesforce. Sales teams using Slack and Sales Cloud are closing deals 15% faster on average and increasing revenue by 26%. Service teams using Slack and Service Cloud see 20% faster engagement on customer issues and three times faster problem resolution."

"Making Customer 360 something more than a marketable concept, branding exercise or clever sales pitch is probably Taylor's biggest achievement at Salesforce to date," said Adam Mansfield, director of services at UpperEdge, a firm that helps large companies negotiate contracts with cloud providers.

What's not clear yet is how the return of at least some workers to their offices will affect demand for tools like Slack, which helped many of them communicate with each other while they were working from home during the pandemic. A new era of hybrid work, in which employees work only a few days a week in offices, could mean these tools remain as essential as ever.

Taylor, for his part, said he has begun going into Salesforce's San Francisco headquarters about once a week for meetings to brainstorm product strategies and other topics. He sees offices becoming destinations for collaboration, rather than places people go to type on their computers.

"I don't go to the office to work," he said.

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*Kevin McLaughlin has been a reporter at The Information since 2016, covering cloud computing, enterprise software and artificial intelligence. He is based in San Francisco and you can find him on Twitter @kmlaughlinf*



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