



The HOFFSCALE™ Method

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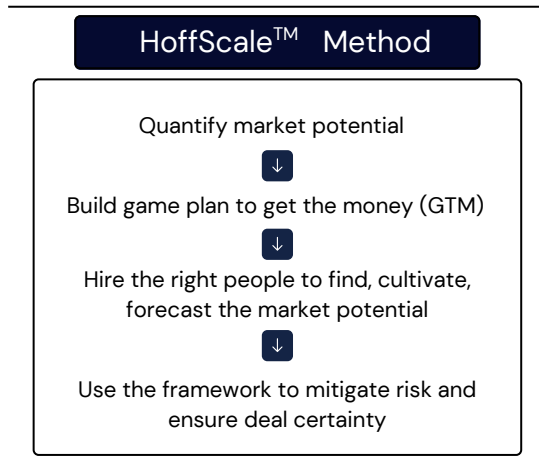
The HOFFSCALE™ Method

A revenue management approach to eradicate underperformance for VC and PE backed B2B software companies

Why it matters is because most B2B software companies are not profitable and see their margins decline, often not fully understanding the reason or reasons. The primary problem is a lack of qualified opportunities in the pipeline coupled with a lack of deal certainty with many forecasted opportunities slipping from quarter to quarter or never closing at all!

The intent of the HoffScale™ Method is to set these companies on a path to producing healthy sustainability (margins being where they need to be) and scalability. The HoffScale™ Method ensures sellers, and their support staff, are proactively and properly prepared for success and that they reach their required sales quota expectations.

Figure 1: The HoffScale Method



The HoffScale™ Method accomplishes its intent by quantifying the market potential and aligning the quantifiable potential with a Go-To-Market game plan and then aligning the game plan to an execution framework that mitigates risk and ensures sellers are working on real, qualified opportunities (deals), cultivating them and forecasting them accurately in a CRM system. The result is margins sustain and scale, sales quota expectations are met and investor bets pay off with high valuations and exits.

The program consists of three phases:

Assess → Fix → Scale

the HoffScale™ Method provides the necessary steps, within these three phases, to pinpoint where problems exist, how to fix them and, once fixed, how to create sustainability (deal certainty) and scalability (healthy pipelines that grow and a greater number of deals guaranteed to close in a forecasted timeline) In essence, the HoffScale™ Method is the foundation for ongoing revenue management success.

The HoffScale™ Method is a “conveyor-like” approach that strategically assesses product fit, revenue goals and attainment, corporate messaging, go-to-market-planning, lead generation, pipeline development and deal execution. The HoffScale™ method then applies unique, nuanced processes and methods to unlock the inherent challenges and produce a quantifiable transparent sales & marketing plan that manifests a healthy continuous pipeline coupled with deal certainty.

Figure



Investors win because they see their portfolio bets, in their B2B software companies, paying off which translates to successful exits! The result is a healthy pipeline that continues to grow coupled with deal certainty!

There are platforms and AI tools in the marketplace that claim to solve go-to-market, pipeline growth and CRM issues with deals not closing. However, these platforms and tools do not define the problem, and these tools do not strategically think about how to solve the problem.

Conversely, The HoffScale™ Method is the result of knowledge accumulated from working in the trenches at B2B software companies expecting results in quick timeframes. The platforms and tools can provide fast access to data and may free up time spent on tasks but the inherent goal of building a sustainable and scalable healthy business demands a foundation which is what the HoffScale™ Method achieves.

The HoffScale™ Method leverages 35+ years of experience in B2B Software Sales, Sales Management and C-level Executive Positions, much of which comes from working for PE and VC backed companies. Hoffman has seen many companies struggle to reach revenue expectations and his method incorporates years of knowledge and insight to determine how your organization should be prepared for success.

Credibility for the HoffScale™ Method draws on years of “in-the-trenches” failure and struggle trying to figure out the best ways to find, cultivate and win business in forecasted timelines working for brands such as IBM, Oracle, and SunGard as well as small to medium businesses (SMBs) with limited resources. The HoffScale™ Method content was originally developed and used successfully while managing sales teams at three PE backed Fintech software companies resulting in two reaching excellent exits. It has also been the cornerstone Hoffman uses, while advising companies through this LLC, to achieve revenue goals and it has led to new funding for several companies in the series A, B and C stages.



It is difficult to pinpoint the exact percentage of B2B software companies that consistently meet their revenue expectations.

However, studies suggest that a huge portion do not achieve their projected revenue growth, especially when aiming for ambitious targets like the **"Rule of 40"** (combined revenue growth and profit margin of 40%).

Rule of 40:

Only a small fraction of software companies consistently meet the Rule of 40 benchmark. McKinsey & Company found that just 1.6% of 200 companies sustained strong revenue growth of 30% or higher from 2011 to 2021, while only 16% exceeded Rule of 40 performance.

Profitability:

A huge portion of B2B SaaS companies, especially those backed by Private Equity Investors are not operating at a profit. SaaS Capital research shows that 55% of equity-backed SaaS companies are operating at a loss, compared to 15% of bootstrapped companies.

Growth Rates:

While the SaaS market generally experiences strong growth, not all companies maintain a consistent and high growth rate. SaaStr reports an average growth rate across B2B SaaS of 17%, but this can vary significantly based on size and other factors. For example, larger B2B SaaS companies with high ARR may have lower growth rates than smaller, faster-growing companies.

Market Dynamics:

Several factors can influence a company's ability to meet revenue expectations, including competition, sales strategies, and overall market conditions

The bottom line is that most VC and PE-backed B2B software companies don't do well, and this means the funded bets have not paid off. Ironically, it does not mean these B2B companies do not have value so an exit can still occur even with top-line revenue not meeting expected goals. However, exits would increase substantially if top-line revenue and profit-margin goals met expectations consistently.

Part of the conundrum comes from Founders and CEOs with backgrounds in engineering and Product management vs Sales and/or Marketing. A Hacker News post mentioned that 65% of founders do Product, indicating a strong emphasis on understanding and developing products. What's missing in many founders is a lack of business acumen and many want to hire in the image of themselves which only heightens the problem.

While technical skills are important to develop product for the market-place, a B2B software company still has to sell their products to hit their numbers and if the CEO and Founder don't have sales or marketing backgrounds, there is close to a 70% chance, based on the studies cited in this paper, that the foundation or culture has not been aligned for revenue expectations to be met.

This creates disastrous outcomes including a revolving sales force that continues to fail, and the fix is to keep hiring sellers without first fixing the root cause of why the company is unable to achieve revenue success.

Another inherent issue is that most B2B Software Companies are selling solutions that the organizations they wish to engage in do not have to buy. In other words, these are "nice to have" products not "got to have products." Hence, a CEO without a business acumen is even more exposed since the task is to sell nice to have products vs got to have products and this task requires a savvy business mind to build a revenue program that will get buyers thinking nice to have products are solutions, they "must buy."

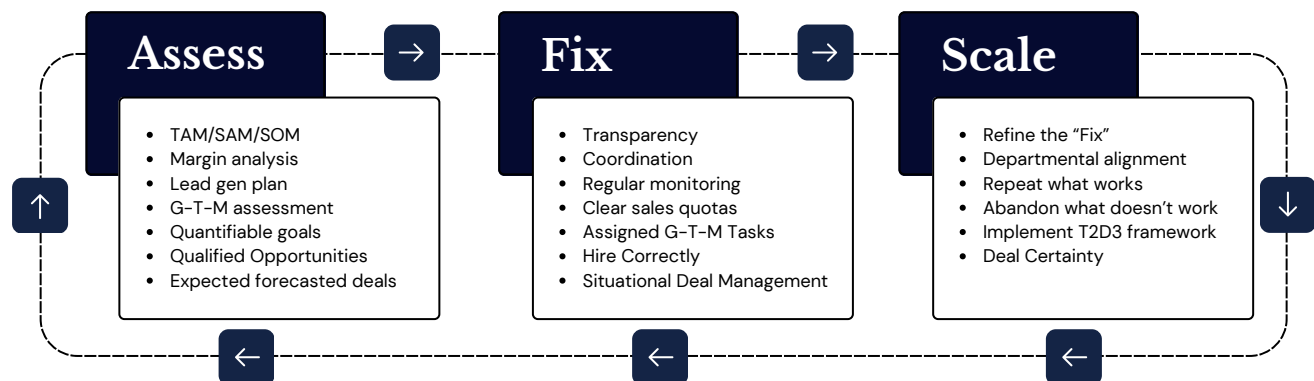
The HoffScale™ Method will end these challenges by assessing and fixing product-market fit, corporate messaging, Go-to-Market planning and managing revenue producers to guarantee pipeline growth and deal certainty.



Solving the Challenge using the HoffScale™ Method

What sets a B2B company up for continued success is strategic alignment between various departments and this is inherently what the HoffScale™ Method achieves using the three-phase program **Assess**, **Fix**, **Scale** as shown in Figure 2.

Figure 2: HoffScale™ Method – repetitive conveyor belt to success



The first step is to discover

where the
revenue
problem or
problems lie

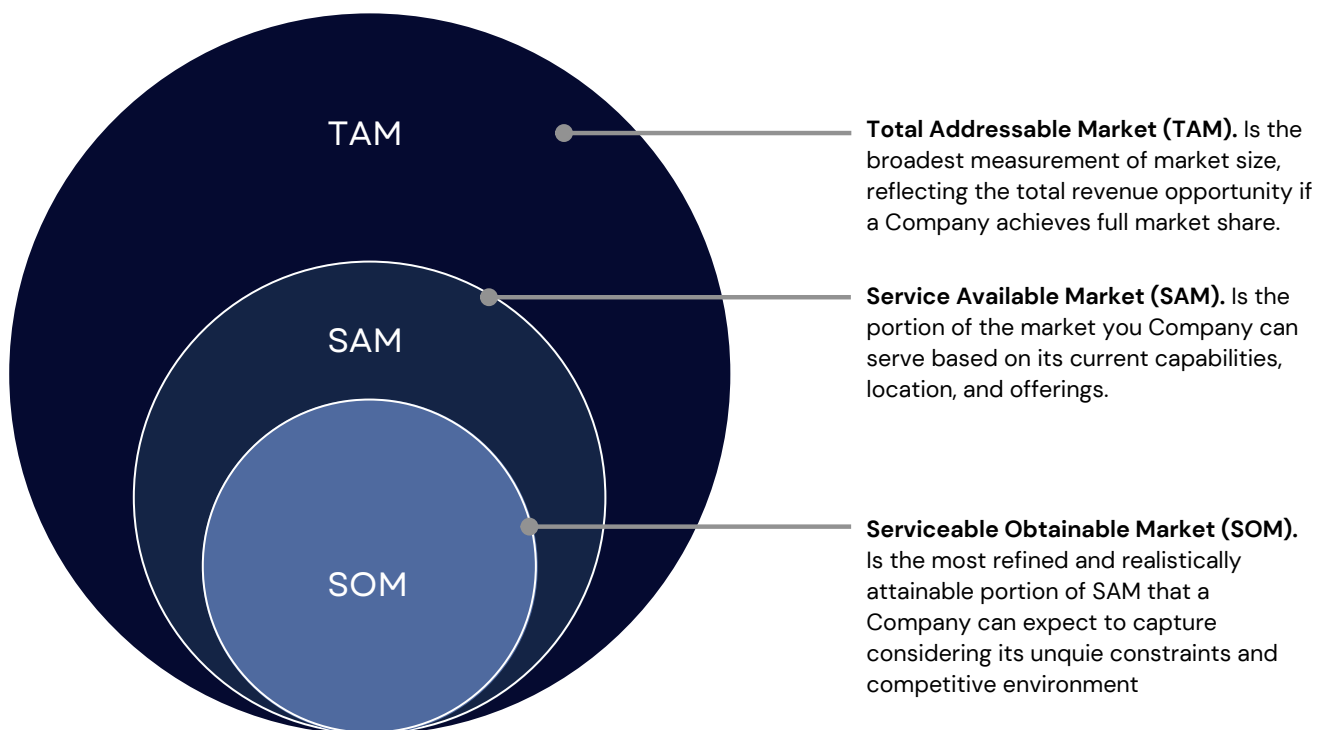


Looking at how Product Development, Product Marketing, Pricing, Lead Generation Marketing and Sales run and how they are aligned is the initial undertaking. This requires conversations with the C-suite and those leading and working in each department to better understand how each department operates and to learn how each department aligns with one another and what each department's time-to-market goal is to achieve success.

The HoffScale™ Method needs to review the existing product fit for the market which includes making sure the Total Addressable Market (TAM) quantitatively aligns with the Serviceable Addressable Market (SAM) and Serviceable Obtainable market (SOM). Typically, the C-Suite generates and manages the TAM/SAM/SOM analysis. Once the market sizing work is done, further analysis on pricing/margins should be conducted to ensure it correlates to the revenue potential based on the TAM/SAM/SOM analysis.

Once this is quantitatively determined, a B2B software company can start to build a marketing lead generation program that is realistically achievable. In parallel to building a lead generation program, the Go-to-Market assessment begins to correlate the target market for direct, and potentially indirect, revenue streams. As part of the assessment, we must review wins and losses, the total number of obtainable deals, size of deals, and time-to-market sales cycle, each being critical to set sellers up for success when it comes to zeroing in on finding, cultivating, and winning business in forecasted timelines.

Figure 3: Determining the true size of a product's market opportunity.



01

The CEO must own the quantifiable goal per quarter and per year and there must be a strong understanding to know where the money is coming from; direct or indirect deals with buyers, partnerships or both and what percent fits into each bucket. If partnerships are necessary, then what type of partnership is required? Litigated partnerships or handshake agreements? Either way, what are the commercial markers that need to be in these agreements?

The assessment is where Jeff Hoffman, using his HoffScale™ Method, will evaluate the product market fit from a quantifiable perspective, along with assessing the margins per deal and on the life-time of the contract to better understand the sustainability and margin potential for scaling the business.

The HoffScale™ Method uses the T2D3 Framework to assess and scale the margin potential by analyzing the gross margin against top-line in a specific period. Additionally, the assessment looks at the messaging and audience the B2B company needs to sell to, the Go-to-Market program to find business, hire the correct team to execute business, the sales plans that define productivity for individual sellers and those who support the sales efforts.

The assessment also evaluates how the sales team qualifies opportunities, cultivates them, and closes them in forecasted timelines. Often deals do not close on time.

Assessing the root cause will position the B2B company for a proper Fix.

The fix includes building a checklist of questions you need to answer:

Looking at how Product Development, Product Marketing, Pricing, Lead Generation Marketing and Sales run and how they are aligned is the initial undertaking. This requires conversations with the C-suite and those leading and working in each department to better understand how each department operates and to learn how each department aligns with one another and what each department's time-to-market goal is to achieve success.



The fix is determined by what is found during the assessment phase and most notable is making sure there is transparency in day-to-day operations as well as a proactive mind- set between product, marketing, Go-to-Market and execution because, like a conveyor belt, the wheels are always turning and what might seem to produce results today, may need to be re-strategized for tomorrow. The tighter the communication is between the necessary revenue producing departments, the more attainable executing success becomes.

The fix needs to include a set of quantifiable go-to-market tasks that become part of the latest sales & marketing plan, and the tasks should be measurable to the top-line and bottom-line. The Go-to-Market tasks define the territories a B2B software company will sell into for direct and, potentially, indirect revenue streams, based on what is learned from reviewing the historical wins and losses.

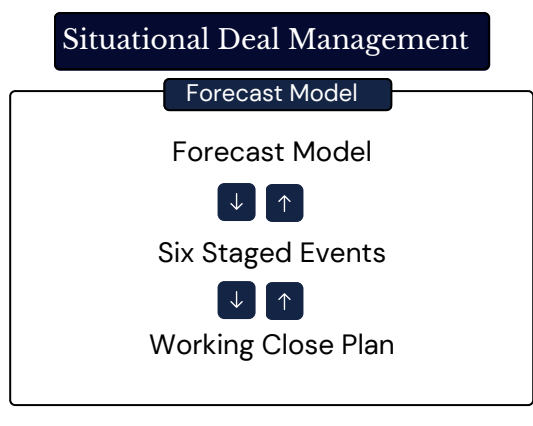
The Go-to-Market revenue plan must ensure sellers meet the day-to-day requirements of the B2B software company. A big mistake often made is to hire sellers based on their product knowledge but it's a naïve leap of faith to assume a seller from a competitor is working in the same cultural environment. It is important, when hiring revenue producers, to focus on interview questions that represent the day-to-day requirements asked of the new hire by the B2B software company should they land the position.

Make sure sales plan quotas are attainable and allow the B2B software company to achieve its desired top-line revenue goals and profit margin. Once you sort the quotas and territories, it is about execution. Assessing the forecasting model and sales management approach will help to determine the two most critical aspects of executing, Pipeline Growth and Deal Certainty.



Situational Deal Management is the cornerstone to execution and a big part of the fix. The HoffScale™ Method assesses this in the context of the forecast model, where deals are forecasted in a CRM and each deal is managed to determine execution challenges that may be a catalyst to understanding why there are not enough real deals in the pipeline and why deals slip from quarter to quarter or never close. Inherently, the execution process is typically one of the recurring problems that causes missed targets and margin decline.

Figure 4: Situational Deal Management



From a lead generation perspective, messaging questions and statements need to reflect what a qualified prospect should be so there needs to be questions and statements that are tailored to the title of the audience members you need to align with to determine a forecasted opportunity. And expand your audience to help secure deals and increase deal size. This means go beyond the economic buyer and the people who own the need. Tap into those people who can influence the deal because they inadvertently benefit.

Creating 1-1 weekly seller to sales manager meetings with the intent being a review of the found and forecasted opportunities. The goal is to dissect whether a deal is real or not and if real, what are the forward strategic steps and resources needed to cultivate and win the deal in a forecasted timeline. Inserting a Situational Deal Management approach that toggles a clear forecasting model against six staged events using a working-close plan enables real deals to be accurately forecasted in a CRM System.

Winning business in forecasted timelines requires a detailed and repeatable codified process that includes a forecasting model, 6 staged events and a working close plan: The Forecast Model should be easy to grasp; Commit, Upside and Longshot. The stages guide a seller to determine which forecast category a deal fits into:

06

PHASE

Opportunity
Qualified,
prospect has
stated a need

05

PHASE

Needs Analysis,
Completed
Discovery with
user and
economic buyer

04

PHASE

Solution Proposal,
Solution/Benefit
value proposition
(quantifying value)

03

PHASE

Vendor Finalist,
have a driving
mechanism
validated by
economic buyers

02

PHASE

Verbal
Acceptance,
prospect
accepted key
terms and
dates to close

01

PHASE

Prospect
contract is in
Legal Review

The Working Close Plan (Figure 5, download it [here](#)) is an excel spreadsheet that lists the first meeting taking place, who attended from the vendor and prospect, dates, and next steps. The spreadsheet should strategically list all upcoming meetings the vendor will need to take place, the dates these meetings should take place, and who should be in attendance from the vendor and prospect.

The working close plan document becomes a guide to keep seller and sales resources on track in being able to cultivate their opportunity and win business in the forecasted period of time.

Situational Deal Management allows sales management to see the opportunity at a 1000-foot level while being able to make strategic and linear decisions on steps that must happen and who owns these steps. This is a risk mitigation approach that guarantees pipeline growth and deal certainty.

There is still a human element associated with Situational Deal Management, which includes having the moxie to coach and mentor the sellers and other revenue producers (marketing, subject matter experts) on techniques necessary to find, cultivate and win business in forecasted timelines. While the forecast model, six staged events and working close plan set the stage, CROs and/or sales managers must be able to detect the strengths and weaknesses of those people trying to secure business for the company.

Everyone learns differently and a good C-level revenue leader will have the awareness to put the sellers in a position to capitalize on their strengths and then fill in the gaps to help support the sales effort. Situational deal management is about customizing solutions based on the specific circumstance in a deal and similar to a chess board, using the correct pieces to move the key next steps forward.

Figure 5: Working Close Plan for XYZ Company

XYZ Company Closing Plan						
Status	Event	Us	Client	Due Date	Add'l Resources	Comment
Yes	Aj hosting presentation to IT	X		5-May	KC	Went Well
Yes	KC Redline submitted		X	7-May		Received comments back, now with Legal
Yes	SOW creation	X		9-May	TA, KC, JT	Have received and reviewing
Partial	SOW review	X	X	18-May	JT,KC	First presentation of SOW to client
Partial	ROI reference calls	X	X	18-May		Key stakeholder is out for a week
Partial	Follow on IT Q&A	X	X	20-May	TA,KC,JT	Meeting being set up
Partial	ROI support completed / accepted		X	20-May	ML	ROI projections understood and support by Treasurer
Partial	Internal hosting budget determined			18-May	JT,KC	Updated discussion w/ Client (have added Customer Portal)
Partial	Pricing finalization & acceptance by client	X	X	20-May	JT,KC	Configuration (user count/hosting) must also be complete
No	SOW finalization & acceptance	X	X	20-May	ML	
No	SG Legal review & redline response	X		20-May	Legal	Will have time to reply
No	Executive support / acceptance - CFO		X	31-May		Treasurer will complete
No	Finalization of business Ts & Cs	X	X	27-May	JT,KC	Payment terms and conditions removed as issue from contract
No	Identify any remaining potential issues	X	X	27-May		
No	All open issues resolved	X	X	2-Jun	TBC	
No	Contract finalization	X	X	10-Jun	Legal	
No	Signature		X	17-Jun		

The culture in a B2B Software company should support the notion that each person responsible for securing business is a unique individual and therefore should be managed to their unique strengths. Selling is hard and not a "one size fits all approach". Building a culture that recognizes this will pay dividends long-term.

Scale

To grow (scale) a B2B software company, paying attention to top-line revenue production quarter after quarter and from year to year, analyzing margins, tracking market-share growth and existing customer revenue expansion coupled with attention to shortening sales cycles are all relevant markers on the checklist to begin exploring and refining pertinent strategies. The HoffScale™ Method continuously evaluates the performance of the re-tooled quantifiable sales & marketing attainments and positions the business to leverage growth by scaling with new strategies based on what is working per the “Fix.”

The new lead generation strategies can be refined by doing additional pricing/ margin analysis to determine where additional focus should be placed. Resolving questions such as: 1) should there be more hunting for market share growth; or 2) should the focus be on more farming into the existing customer base; or 3) should partnerships be re-litigated with new reciprocal commercial terms; or 4) should we seek out new partnerships?

The Scale stage requires attention to the alignment of the departments and focusing on the quantifiable tasks that have proven fruitful, while eliminating the strategies and exercises that have not produced results.



HoffScale™ Method's conveyor-like process demands proactive attention regularly and continuously and expunges reactive thinking. A B2B software company can never operate reactively unless it's selling a reciprocal "got-to-have" solution. But the reality is most B2B Software companies and those selling perpetual licenses, are typically offering "nice-to-have" solutions.

The "3-3-2-2-2" rule, also known as the T2D3 framework, is a popular growth strategy for SaaS companies. It outlines a five-year path to achieving a \$1 billion valuation by initially tripling revenue twice, then doubling it three times. When you factor this framework against the reality of VC or PE backed B2B software companies, less than 5% achieve their goals. Hence, it's particularly important to be constantly and proactively opening the hood in each department necessary for revenue alignment and strategically evolving a Go-to- Market and Execution Plan for a chance to win!

Figure 6: T2D3 Strategy



Maintaining Performance

The HoffScale™ Method using the Assess>Fix>Scale program will set a B2B software company on a path for success. However, like all good things in life, every learned trait needs to be maintained. Here are some tips on maintaining performance momentum by adding precision to ongoing reviews:

- 01 | What is working and what needs tweaking per the sales & marketing plan. The HoffScale™ method maintenance program analyzes the forecast for real pipeline growth and deal certainty.
- 02 | How has the pipeline and revenue production done three months after inserting a fix and scale method?
- 03 | Have the committed and upside deals executed on-time? If not, why? Much like a dentist who sees their patient every three to six months to ensure zero cavities, gum and jaw alignment are in place, the HoffScale™ Method makes sure margins have not declined.
- 04 | Pipeline growth and deal certainty should be assessed every three to six months to make sure margins are stable.
- 05 | Reasons why deals are slipping or not happening at all.

Knowing where to look for the answers is what the HoffScale™ Method provides. It digs into the situational management techniques that have been instilled and branches out from there into lead generation, sales cycle timeline, audience expansion, new competitive market-creep and pulls the necessary findings together to make accurate decisions to keep margins where they need to be.

Measuring ROI and Success Metrics

The HoffScale™ Method draws on over 35 years of experience in sales, sales management, C-suite positions, and management consulting through Hoffman's advisory firm. Hoffman ran sales at three Fintech Companies of which two reached exits after his stewardship. Specifically, Financial Architects sold to Wolters Kluwer and SunGard sold to FIS.

Figure 7: Key items that a B2B Software Company should be monitoring to ensure they stay healthy.

Tatic	• Are we being proactive and constantly looking at department alignment? • Can we obtain the revenue expectations in the market?
G-T-M	• Do we know all the audience titles we need to be speaking with to win business? • Do we know all the audience titles who will influence and help expand deal size? • Do we have a list of questions and statements to ask each title to qualify deals? • Does our pricing align to our quantifiable revenue goal, producing correct margins? • Are our sales/marketing-lead creating revenue streams for market share and margin growth?
Lead Gen	• Do our lead generation strategies correlate with the production we need? • Is our lead generation strategy innovative enough to initiate our revenue goal ? • Do we have a territory or targets and/or partnerships to focus on our quantifiable revenue goal?
Sales	• Do our sellers have a forecasting model to use that is easy to understand? • Can our sales manager coach our seller with techniques that cultivate a qualified opportunity? • Is our sales manager using stages of information to discern where a deal should be forecasted? • Is our sales manager using a working-close plan to guide the seller and revenue producing resources on the correct journey towards closing real deals in forecasted timeframes? • Can the sales manager scaled our business using strategies to shorten sales cycles & increase margin?



Applying the HoffScale™ Method

SunGard

When Hoffman was tasked with turning around underperformance at SunGard during the period when Silver Lake owned the company and effectively structured SunGard as a US\$6Bn fund with nine divisions, the direct focus was making existing sellers better. There were ten salespeople in the Northeast division that sold treasury and cash management software. Hoffman spent the first ninety days getting to know the sellers, their strengths and weaknesses, the support staff of services and subject matter experts and then began processing what was working and what needed fixing.

While focused on the assessment, the problem Hoffman needed to fix was top-line expectations for the Northeast. While the top-line expectations for the Northeast division were US\$110mm, or US\$11mm per individual representative, the run rate per rep was only US\$7mm. Applying the HoffScale™ Method to dive deeper into the assessment, Hoffman held one-on-one meetings with sellers to review each deal, during which the following were carried out:



- **Audience Assessment:** When you expand the audience of potential buyers within the prospect's organization, it shortens the sales cycle, expands the deal size and creates deal certainty. At SunGard Hoffman identified the need to not only sell to the treasures who own the project but also to sell to the decision makers who own the project P&L (CFO) and the influencers (Chief Risk Officer) thereby expanding the number of people who want the product.
- **Cultivation:** Cultivation is the process of reviewing the steps or upcoming meetings that must take place to win a deal. Key considerations include: 1) Who do we need to meet; 2) Why? When? And what outcomes do we expect; or 3) What resources do we need for the meetings? Cultivation heightens preparation!
- **Forecasting:** The HoffScale™ Method implements a process that is easy to use: 1) Commit; 2) Upside; and 3) Longshot. The forecasted deal is determined by the staged events listed earlier in this whitepaper and Situational Deal Management, which relies on having a good sales manager who asks questions in the weekly 1-1 meetings using a working-close plan..
- **Resources:** The right people must be involved to ensure you have everyone needed to cultivate or move a deal along. This includes subject matter experts or the CEO, among many others. It is important to know when C-suite is required to be involved because C-suite respond well to other C-level executives as opposed to individual sellers.
- **Deal size:** Review the deal and assess its correct size and scope. To ensure the sales process is properly staffed.
- **Sales cycle timeline:** Review previous and expected sales cycle timelines to better understand current timelines and probability of closing deals on time.
- **Next step tasks per deal inserting a team approach:** It is a team sport to close deals and win business, therefore coordination, communication with all key parties is a must



Case Studies: Sunguard

One of the key discoveries for Hoffman was that the sellers were selling to assistant treasurers. He implemented a plan to expand the audience to treasurers, CFOs, and Chief Risk Officers. The treasurers and CFOs had direct ownership of the company P&L, but the Chief Risk Officers could influence the deal, the sales cycle and the deal size.

Additionally, Hoffman used his working close plan to allocate the next step and tasks which inserted him into the sales effort to identify and address wherever there were bottlenecks. An example of this is where the seller had a relationship with the assistant treasurer, but Hoffman knew it was necessary to reach higher to a CFO or Chief Risk officer to move the deal along (cultivate) and shorten the sales cycle, Hoffman would directly reach out to the CFO and Chief Risk Officer as part of the next step tasks.

Because Hoffman had a leadership title, the strong likelihood was that he would get better results and responses from a CFO and Chief Risk Officer. This simple insertion in the process, created a “team” approach to closing this deal.

The results were materially better than expected. Per head sales increased from an average of US\$7 mm to US\$22 mm per sales representative in license software revenues and even further to US\$40mm when including wrap around services. So, as the deals increased in volume and size, it followed that services revenue would also increase.

Ultimately, Silver Lake sold SunGard to FIS for US\$9.1 BN in 2015, ten years after acquiring it for a reported return of 1.5X their initial investment. More case studies and data will be made available during your engagement with Jeff Hoffman.

Results achieved using the HoffScale™ Method

- ✓ \$1B+ Value creation across two separate liquidity events
- ✓ \$145M Total capital raised for startups under advisement
- ✓ \$1M to \$10M growth in sales and services Fintech company over two years
- ✓ +1,033% Revenue growth for European Fintech company over twelve-months
- ✓ +170% Increase in qualified pipelines leads for digital imaging co. over three years
- ✓ +50% Market share gains for US FinTech company two years



Thank You

The HoffScale™ Method Brought to you By Jeff Hoffman

Reach out to schedule a meeting or ask questions:



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