David Politis, CEO of BetterCloud

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"Burn the Boats:" A CEO Opens Up About His Firm's Risky, Total Reboot

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As *David Politis, a veteran tech CEO, points out, if you ask most entrepreneurs how they're doing, the reflexive answer is almost always, "I'm killing it," even when they're not. And let's face it, most CEOs struggle. Politis himself faced an existential threat to his firm, BetterCloud, a few years ago, with big questions about whether the company was going to make it as his team completely rebuilt its technology. In our interview, Politis shared the unvarnished details of how he navigated a complete overhaul of his firm, and the many leadership lessons he learned along the way.*

Q. Set the table for me. What was the context for your realization that you might have to do a wholesale transformation of your business model?

A. We started the company in November 2011, and the idea back then was that people were moving to the cloud and needed more management and security functionality around these cloud applications. We were focused on only one specific application – Google Apps, which are now called G Suite.

By 2015, we had grown to 50 or 60 employees and 1,000 customers, but we were seeing the landscape change, and people were not using just a homogenous set of applications; they were using best in class applications for specific needs. All of a sudden people were saying about our core product, "It's nice, but..."

We realized we probably had a ceiling on our business, and that we were going to have to make some big shifts. On the flip side, it felt like, by skill or luck, we were now standing in front of a huge opportunity to take advantage of a once-in-a-career technological shift in the workplace.

Q. I take it the shift required more than just an upgrade to your software.

A. Yes. It's like if you installed normal electrical outlets in a building, and then you suddenly

needed to accommodate all the different plugs that are used around the world. To do it right, you'd have to retrofit everything. We in effect had to gut the building and start from scratch.

Q. What was the reaction of your engineering team when you delivered the news?

A. Many of them were excited about the challenge of having to build something pretty complicated. But a number of people in the room didn't believe that it was going to be possible. One lesson from that is that different stages of a company attract different risk profiles and different kinds of people, and the persona of the company started to change.

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The only people who were willing to stay on were people who wanted that challenge and that risk. We turned over a lot of people, and the people who stayed were the ones who were ready for the risks. Ultimately, we were going to "burn the boats" of our old platform. We had estimated it would take about a year to build the new technology. It took almost two years.

Q. That's a long period of uncertainty. How did your leadership style evolve to keep everyone motivated and on track?

A. There were a lot of unknowns. What was really important in those 20 months was a lot of communication internally, and celebrating the small wins. There were four pillars of the new technology, and every time we stood one of them up, I would send an email to the whole company to celebrate the milestone and explain why it was really important. As we were showing customers what we were doing, we would send their feedback to everyone.

If we didn't tell people what was happening, people would have assumed the product's never coming out. The salespeople don't see the code being written. Even the engineers generally only see the code that they write. You have to constantly be telling people what's happening, good and bad. And there was bad news too. A year into the work, we had a board meeting where they said, "What's going on? This is taking longer than expected and we need to see something."

The next day, I called an emergency all-hands meeting, which I had never done before. I told everyone that the board meeting was like getting a root canal, and they were right to ask the questions they asked. This is not a research project. This is a business. I told everyone that we have to cut out anything that is not targeted at getting this platform out or selling the existing platform so that we continue to grow revenue. "If it's not one of those two things, stop working on that project immediately," I said. "Don't ask anyone. I'm not doing anything else. Neither should you, and that's it. If you don't want to be here, we're not going to be offended. We are in the grind now."

Q. Not every leader feels comfortable being so open in front of the team about the pressure from the board.

A. I got some advice early in my career. I was CEO of this small company, and I essentially thought I shouldn't tell anybody anything, because if they know that anything was wrong, they're going to quit. Then 2008 came and we got hit with the financial crisis like everyone else, and we had to let go of half the company in a day.

Everyone was surprised. We thought we were making all this money, they said. Clearly, I had not told them anything. I was so stressed. Someone gave me the advice, "You can't have all of it on your shoulders. If you're the only person who knows about it, how can anyone else help to actually improve this or fix the situation?"

"I told people, 'We are not a family, we're a sports team and we have to win.'"

I'll never forget that. Since then, I have always believed in transparency, good or bad. And at this company, that was the first "we're all in this together" moment. And I told people, "We are not a family, we're a sports team and we have to win." That was a turning point for the business, as well. I made some very big moves to change out some of the top executives who I felt were holding us back.

I also heard from people that they felt like we were changing directions a lot. So I did another presentation at the next scheduled all-hands meeting, using the examples of Amazon and Google and some of the best technology companies in the world. Amazon started selling books and look at what their business is today. They didn't do that by just being bullheaded, putting their head down and running into a brick wall over and over. They went around it. I said, "We're just trying to do the same thing. We don't know where we're going to end up. We may not be an Amazon or Google, but why, just for the sake of staying consistent in our

strategy, should we look at a brick wall and run right into it?"

Q. You eventually built the technology you needed, but then you had to get customers to adopt it.

A. I decided we need to put a goal out there for the company. I brought the team together and said, "In the next nine months, we need to get 100 customers on this new platform." It was a trying time but the whole company had one goal. Literally every TV in both offices had a counter from zero to 100. That was the only thing that was on the TVs. We started at the beginning of 2017, and by the end of January we had one. In February, we added three more. In March, we had another six, and it was roughly the same for April. It was slow, and we had people asking, how are we going to get to 100? And by the way, I had no idea if we'd get to 100. That was the number that felt to me like critical mass.

But we were all swimming together in one direction. The engineering team would say, "What do we need to do to get that customer on board?" Then around May, we got 10, and then in June we had 15, and all of a sudden, the momentum started to build. We ultimately blew through our goal and ended September at around 140. We had a massive celebration, with champagne and balloons that said "100" on them. It was a very different all-hands meeting this time. For nine months, all we talked about was this one thing. A lot of people didn't think we could do it, and we were the underdogs. People said they will never forget that moment.

Q. And how were you coping during all those months of uncertainty of whether you could even get the technology to work, let alone sell it? That kind of stress breaks a lot of people.

A. It was exhausting. It's like when you're anticipating something that you know is coming, and it could be good or bad. It was constant anticipation for 20 months. It's always there — every morning, every day, every night. But a lot of it was on the engineering team. I don't write code. I'm not an engineer. I could stay up all night, but I couldn't do anything to really help to make it better. This is my third company, and I've definitely gotten to a point where I can compartmentalize better, but it was definitely a stressful period.

Q. You talked earlier about moments where you had to switch out top executives to help the company get to the next level. What are the early signs for you that someone might not be right for the next phase of growth?

A. One of the big tells is when I'm repeatedly seeing things in their part of the business that they're not seeing themselves. If I'm consistently the one to call out a fire happening in their part of the business that they were not aware of, that has always been one of the red flags for me. That's happened a number of times.

It's also happened a number of times where people, because they weren't confident in their own abilities, didn't want to bring in a team that essentially could replace them. You always want to hire people who are better than you, but with some people, they worry about putting themselves and their own job at risk by doing that because they're not sure what they're doing.

Another tell is when you're planning for the next year, and some people are asking to double the size of their team while someone else is asking to add just one more person. They can't visualize that next phase of growth, of what's possible.

Q. Any final lessons from what you've been through?

A. The narrowing of goals, and focusing everyone toward one thing, was really big. If it's such an important thing to the business, then why should anyone be working on anything else? I had never done that before and I will never forget those nine months. To limp along at first and then just crush the number at the end was incredible. People were crying. It was crazy.

I also think it's important as an entrepreneur to be open about the challenges, and not trying to live the Instagram life of only the really, really good things. If you ask entrepreneurs how they're doing, they almost always say, "I'm killing it." And you want to say that, but I couldn't hide what was happening at our company. And when you're open with people, they start being more honest about their own challenges.

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