



Stanford eCorner

Why Company Culture is Crucial [Entire Talk]

Dharmesh Shah, *HubSpot*

February 10, 2016

Video URL: <http://ecorner.stanford.edu/videos/4026/Why-Company-Culture-is-Crucial-Entire-Talk>

Dharmesh Shah, co-founder and CTO at the marketing and sales software firm HubSpot, distills his 128-slide presentation on company culture down to its essence, describing it as a business's "operating system" that lets people do their best work. Shah says entrepreneurs must create a company culture they love, because one will eventually emerge no matter what.



Transcript

[APPLAUSE] All right. Well, thanks, Dan and the ETL for having me. Couple of quick disclaimers. I'm Dharmesh, by the way. I'm on Twitter, as it turns out, as well. And I'm CTO, so that means this is not my natural state of being. My natural state of being is writing Python code, not being a public speaker. So bear with me. If I sound nervous, it's because I'm nervous. I get better, though.

Trust me. So my claim to pseudo-fame is I've co-founded a company called HubSpot about nine and a half years ago. It's grown. Went public about a year ago and doing well. HubSpot's in the marketing and sales software space, but this is not about HubSpot, actually. We're going to talk about people and culture. So we'll skip through this. This is the gratuitous ring of the bell photo that must be included in every company's slide deck at least 24 months after they go public. So this is us. Some of you might be, wondering, Dharmesh, why don't you look more excited? That's me excited right there.

That's as excited as I get. Why the sunglasses? What's that? Why the sunglasses? At the very last minute, I think one of our marketing people said, you know what? We should do something noteworthy or remarkable that people will ask us, exactly. Why the sunglasses? No reason. It's like, why not. Dharmesh, put these sunglasses on. I'm like OK, fine. So the company's done well. We just, as Tom mentioned, we just had our quarterly earnings call. And so the companies about \$180 million in revenue last year, growing 57%, which means something because that's actually relatively hard to do at that scale. So we're proud of that.

That's the last bragging slide I think I have. So we can get on with business. This is a Safe Harbor statement which basically says I may make forward-looking statements. And if I do, the future may not be what I said it was going to be. And don't buy stock based on things that I say. I'm paraphrasing, but that's what it says. It's an SEC requirement. I didn't do this for fun just for entertainment value. So one big disclaimer is HubSpot's been successful and I've been talking to entrepreneurs for a long, long time. And realize this is one of the things that happens with startup advice generally is you have this what I think of as extrapolation from a data point of one, essentially.

It's like, oh! We did this! And good things happened, so that must be the right thing to do. So not all unicorns dispense-- not everything they did was right and not all the things that they say are necessarily applicable. So that's my take it as it is. So I'm going to tell you a story here in terms of-- not my life story. We'll fast forward through my times on the dusty streets of India and how that informed my notion of [INAUDIBLE] economics and SaaS businesses. So I went to school here for grad school. It's MIT, what some of you may recall the other school on that other coast somewhere, which it is. And while there at grad school, I met this guy. His name's Brian Halligan. And he's my co-founder.

He's a CEO of HubSpot. So we met about 11 years ago in grad school. And the one problem was that Brian was in

business school working towards an MBA. Any MBA students here? A few will confess, especially with that lead up. It's like, OK. There's probably at least a few of you that wouldn't raise your hand. It's OK. And so the question is, well, why is that a problem, Dharmesh? Because he was an MBA. So because there was this prevailing theory in startup land that says, OK, well let's say your probability of success for some definition of success is roughly 1%. Oh, for getting to \$1 billion dollars or whatever it is.

And then there's factors that impact that probability, one of which is this very exponential factor where n is equal to number of MBAs on the early team. And so that's been a long running thesis within the startup committee for as long as I've known the startup community. So I was like, OK, well startups are hard. And I'm about to start this thing with a co-founder that right out of the gate, our odds have gone down 50%. And then 30 seconds later, I had the realization that I also was in business school working towards-- it's like, OK, well, now that's two. My co-founder and I, CEO and CTO, and then we went on to hire a VP of marketing, a VP of sales, a VP of customer, success, and a VP of engineering, all of which were MBAs, all from MIT Sloan. And it's like, what could possibly go wrong with this picture, right? And so the reason I'm telling you this, the talk is about people and culture. So I'm an engineering guy. I like code. I'm not psychopathic.

I'm just anti-social. I like humans OK. I just don't like being around them a lot. I like some humans. But I'm going to posit this thesis to you that not all MBAs are genetically predisposed to startup failure. They're not all schmucks and they're not all chumps. They are actually some good ones that can contribute value. And I think one of the mistakes folks like I make is we can underestimate the value of non-engineering non-product people. As it turns out, especially in this day and age, it takes more than just building a great product to actually build something successful, and I've learned this. And so the nice thing about MBAs is they're-- the better ones, which we try to hire-- are super analytical.

And they're not all just the paper pushing, whatever it is stereotypical notion that you have about business school students. So I just want to dispel the myth right here. Go on record and say MBAs are not all bad. So the thing I'm going to talk about here is culture. And when I talk to startups, most of them don't spend a lot of time thinking about culture and thinking about people. It's like, OK. I'm going to walk you through some of the common reasons why entrepreneurs like culture. Culture, we've got that figured out. We've got Margarita Mondays. We've got a ping pong table.

We're going to do Star Trek movies on Friday afternoons or something like that. So that's rationalization number one. Number two is culture? Well, that's just something that happens organically. You don't create culture. That just sounds kind of creepy and kind of fishy, right? That's why we don't do that. And then there's one of my favorites. It's like, we're freakin' changing the world, putting a dent in the universe. That's our culture. OK. And so those are the kind of common buckets of reasons why early stage companies don't talk about culture.

And the most common one-- and this is actually a legitimate one-- is we've got a thousand things to do. We're trying to raise funding. We're trying to build product. We're trying to find co-founders. We're trying to figure out how to replace a VP of engineering that was supposed to quit his thing and didn't quit this thing. And all those things that are happening in early stage land. You don't have time to think about people and culture, which is probably the best reason. And I'm going to posit to you that despite all of those reasons, that not only should you think about culture, you should obsess over it as early in the process as possible. Because of all things you will do, the time that you can spend, yes, build the product. But people is the thing that will cause the startup to succeed or fail.

And the culture's going to define-- we'll talk about this, who you bring in as a co-founder of the early team-- and that's going to actually influence your overall probability of success more than most other things that you will do. Most of you will start companies where the likelihood that you're able to build the product is relatively high. That's going to be fine. What's really the stopping point sometimes is either there's no market or you have a falling out with the early team. Those are common causes of startup stagnation or failure. So the other reason-- I'm going to walk you through some of the arguments in favor of culture-- we all know that all the time and calories you spend in product is good time and energy because the better the product is, the easier it is to attract users and customers. Not counter-intuitive at all. That makes sense. I'm going to posit that there's a direct analogy around culture. The better your culture is, the easier it will be for you to attract co-founders and employees, eventually customers, investors, and other things that actually matter.

And this is going to sound cliched and platitudinal because it's cliched and platitudinal, but the overall purpose of a culture, the idea behind it, is to A, attract amazing people, then help them do their best work. That's why you have it. That's what you should have a good one versus a crappy one. And the other one is-- and this I've seen happen so many times-- so a bad, crappy culture, and there are multiple toxic cultures, will not likely kill you immediately. That's not the fastest way to die. There are much faster ways to kill a startup. This is the most reliable. It will kill you. If the culture's crappy, it's just a matter of time. It can't last.

And then this is for the economically and mathematically oriented. There is relatively convincing evidence-- this is one slide-- around this is a comparison of the S&P500 based on the survey of the happiness of the employees at those companies and

their overall performance on the public markets. so it's like, OK. So culture matters. At least there's the correlation. we may not be able to draw direct causality, but there's a correlation between companies with happy employees tend to do better performance-wise on the market. So having said all that, HubSpot, in our first three years-- we're about nine something years old now-- we did not use the word culture at all. And I know this because neither my co-founder and I, we don't have phone calls. I don't have phone calls generally at all, as it turns out. I'm quirky that way.

So everything we've ever said to each other has been in late night emails from 11:00 PM to about 2:00 AM. We have these long, 1,000 word emails go back and forth. So I looked back through the archives. It's like, oh, when did we first start talking about culture? It was three years in. So we didn't do it. And then this happened. So my co-founder, the CEO of HubSpot, went to a CEO group, which the easiest way to think about it's like group therapy for CEOs. So they all go in and they talk about issues of the day, which is super useful. I highly recommend it. And so at this particular session that he went to, the theme was culture.

And we're still in our early stages. And so he has, I guess-- I don't think I can reveal names-- anyway, he had some highfalutin CEOs in his group. And Brian's reaction, my co-founder, is well, culture-- he had that last excuse. We don't have time for that. We're trying to build this business. We're building product. We're trying to get customers. We're doing all these things. Who has time for culture? And they beat him up over it. They're like, no.

You do not understand. Your job as a CEO, this cannot be any higher priority list. It should be number one. You should do it. And so Brian nodded his head and got through that meeting. Then the next meeting I had with him over beers, he's like, Dharmesh, I've heard this culture thing is really, really important. Why don't you go do that? Now, that presented a problem because on the extrovert to introvert scale, I'm way over there. Way, way over there. And it's not that I don't like humans. There are some that I do like hanging around with.

That's my wife and child, the gratuitous photo of the children. So then it's like, OK. Brian's busy. He's doing other things. All he's really asking me to do, what I thought my mission was going to be, was OK, well. We have a culture. I just need to collect some data and ask our employees what culture is, what they think about it, do they like it or not. It's a data collection. Write down and be the scribe for the culture that already exists. Not pleasant.

I'd rather be writing code. But OK, fine. I'll take one for the team. And within days, this was my reaction. This is the worst possible thing I've ever done to myself in the history of me. It was so bad. It was bad on so many levels. It was crazy. I'll give you one anecdote. So I started sending emails around.

It's like, by the way, I'm working on this thing. I'm trying to figure out culture at the company. And then I got these flaming responses. And I'm used to flaming responses from HubSpot employees telling me I'm an idiot for many different reasons, but this one was particularly acute and hard to take. They're like, oh, so now we're talking about culture. Next it's going to be posters on the wall. And this is the first step down the slippery slope. And then this is the one that killed me. This is not the company that I thought I joined. It's like, you're killing me here! What? All I asked you was, are you happy or not? What do you think-- it was, wow.

And people have this very visceral reaction when you start talking about people issues and culture. And so I sent this email-- this is unedited-- directly to my co-founder, which I'm going to paraphrase and say-- well, I'll read it. "Not sure how I wound up being the guy to lead the discussion on culture, but it's freakin' hard. Eventually, we do need give this to someone that actually likes humans." So this is a late night email about two or three months after that original interaction. So I didn't drop it. I'm like, OK. Let's get back to the thing, whatever. We'll work through these issues. Whatever. I do think it's important.

I was going off and reading on what other people do. And as it turns out, the data suggests that-- so we did a survey and asked the employees, are you happy or not? Would you recommend HubSpot as a place to work? On a scale to 0, 10. And the reality was good. Which was oh, they were super happy. Ecstatically happy. Maniacally happy. That was the good news. The second question we asked was, OK, well, why did you give us that score? And then we had this recursion problem. The reason that people at HubSpot were happy was because of the other people at HubSpot. It's like, well, I don't know what to do with that, which is OK.

Well, start with happy people and don't lose them, I guess. And then they will attract more people that will also be happy. So this was a challenge. We worked through this. So actually this is the last bragging slide. I forgot I had this one in there. So GlassDoor does this nationwide survey of employees anonymously, like the Yelp for-- how people have heard of GlassDoor? I'm just curious. OK. Just about all of you. Right so they do this thing.

And unsurprisingly, last year Google was number one. Facebook. I just pulled out the tech companies, folks that you would know. This is one of the things we're most proud of this. This is this year's scores. So we came in at number four. I'm going to talk you through. Yeah. It's like what happened along the story. So that's the last bragging slide.

And so the approach we took in terms of culture is we took the engineering, very geeked out way of thinking about it. Which is OK, well, culture, what it really is, the way I think about it, it's like the operating system that everything else is running on. It's like the heart of the machinery that makes us run. And we should build it as such. And so I subsequently spent hundreds of hours. This is like the floor. I know it's bigger than this. This is all I'm willing to admit to. And the real pain was the fact that those 300 hours were not spent writing Python code. They were spent writing a PowerPoint deck trying to describe culture at HubSpot.

What we thought it was, what we think it needed to be. And resulted in this deck called HubSpot Culture Code. And we made the weird decision about a couple of years after we started that process. It's like, oh, well, this is useful. In the Open Source mentality, we have this very transparent culture. It's like, ah, we'll put it out there to see if this is useful to other people. And it's been wildly popular for reasons that are not completely clear. I think it's because of topics on people's minds. So that's done well. And what I'm going to do is I'm going to talk you through some of the mechanics of how we came up with the stuff we came up with and some of the things that I think are useful.

This is not to tell you about HubSpot culture and what it's like. This is to tell you about the thought process that went into some of the things that I think are generally good. So the first thing we recognized, our first observation, was that all of us, humanity overall and people that work for companies and startups all over, had dramatically changed how they live and work. So in the left column are the things that people used to care about. That was their thing. In the right column is the way they are now. And most of you will have-- especially the younger generation will nod your heads like, yeah, I can't believe-- what's a pension? What is that? And it's inconceivable to any of us that we're going to spend an entire career-- people did this, by the way, back in the day. They spent their entire professional career in one company, and that was the thing that you did. And now it's like, what? Whatever. No, I'm not staying here.

I'm definitely not. Anyway. And so our reaction was OK, well, it looks like a lot of these companies are essentially frozen in time. They've got this thing that they're doing that makes no sense for the current reality in terms of the people that are working. There are people they want to attract. It just doesn't make any sense. So we went out to fix that. That starts with the culture code describes. Here's what's broken. Here's how we think-- I'm not going to bore you with this stuff.

And this is going to sound platitudinal. I'm going to skip by this, actually, even though it's the most important slide on the deck. But I'll put it up there for a little while. This one is crucial. I love this quote. And the idea here is most of the dysfunctions that exist in a startup or a company of any size, most of them happen in dark corners behind closed doors. That's where the stupidest stuff happens. And if you can shine light into those things that are happening right now, the likelihood of stupidity is flat out stupidity goes down. So if there's two people trying to make a decision and it's like, OK, we're just going to go to talk this through and then we will reveal to the employees what we came up with, you are much more likely to make very stupid decisions in those circumstances. So the more light you can shine into the process, overall the better the outcome, better the decision.

As a result of that, we made the decision early on in the company to share just about everything with everyone period. The only exceptions were if we were legally bound not to share it. If we were working on some M&A transaction where we had a contractual obligation to share it or-- and we can talk about this in the Q&A if you're curious-- individual compensation data, because it was data that we felt like we didn't exclusively own as the company. It was a shared data thing between the individual and us. Everything else, the board deck, the financials, how much money we burned, when are we going to run out of cash, what the overall valuations were, what discussions we were having with VCs, everything was shared with everyone. And that worked out well. Another thing we did, I'll just give you this quick hack. So we have this very open culture. Lots of people do that. Something that a lot of people don't do, I'll give you the anecdote here.

So we start off with just my co-founder and I. We're in this room with four desks. Common startup environment. Actually, we were living luxuriously because there was two desks that were open. That was amazing. And so then we hired the first employee. It's like, OK, well, where should that person sit? And it seemed unfair originally. It's like, OK, well why should we have just because we happen to be here? So what we did is we had this hack. It's like, OK, what we'll do is we'll do a random lottery and we'll pick desks. And we did it because we're geeked out.

We're like, OK, well it's not like whoever gets it gets the window seat because not everybody wants the window seat. So as your turn came up in the lottery, you got to pick whichever the open desk were left, essentially. Very, very simple. Simple hack. And then what we did was OK, well, every time we hire someone, we're going to go reshuffle desks. We're going to go through a lottery process again. So employee number four, employee number 10, employee number 50, employee number 80. And all along the way, people told us, well, that's just crazy. Yeah, it worked at 10 people. Maybe 50.

I don't know how you do it. 200 people, 400 people. And we kept going. And if I think back on it now in terms of simple hacks, can you imagine the countless hours that has saved just from raw office politics? Now, a lot of you are young and so you haven't had the mind numbing experience of arguing over one inch of office space. Wait a second. Susie has a better thing

than I do. We avoided all of that, trying to think through all that, just through that one simple hack. So the moral of the story, by the way, there is get the simple hacks in early. It's much harder to make those kinds of changes later. The other one that's interesting.

So we have this hyper transparent culture of share everything. And this is something we had to add later in the deck because there was much confusion around it. It's like, well, Dharmesh, I thought we were transparent. But then this decision get made and I don't remember being asked for a vote. Well, no. Transparency means we will tell you how the process works, what's going into it. But someone owns that decision. We do not make decisions by consensus. Someone owns it and we trust them to make the right decision. So transparency is not the same thing as a democracy.

This one. Another hack. So as we were growing, it's like, OK, well, we have to do things and have some guidelines around sick time and vacations and stuff like that. And we didn't have that. And as we were growing, our chief counsel and our CFO said OK, well, now is the time to start writing down. Get an employee manual together and put all this stuff together. We need guidelines. And we said we don't want to do that. Is it legally required? Well, no. Not technically.

It's not legally required. But you should have one. So we made exactly three words as our policy for everything unless otherwise stated, which is use good judgment. Should I buy round of drinks? I'm at this event. It's really snowing. I know you guys don't experience this. But it's really snowing hard outside. Should I come into the office or can I stay home and work from home? Because we don't care. We care, but we don't care in terms of what decision you make. I'm going to skip through this in the interest of time.

Let data make. That's the geeked out. Most of the engineering folks in here will appreciate this. Don't use rank, essentially. I'm going to try and get to the Q&A I'm spitting through this because I'm sensing that we should be going to Q&A And walk you through some of the land mines. This is the first thing they teach you when you're doing with the public present-- do not end on a dark note. So I'm going to end on a dark note. First thing you learn, as I hinted at this in the beginning parts, is that the immediate reaction is well, the first rule of culture is you do not talk about culture.

That was the immediate reaction I got from the employee base. What I've learned since then is in order for it to work, you have to talk about it incessantly. You have to keep, this is what it is. Because as you're growing, you think that, oh, well, everybody kind of gets this. We've been around with. No, they don't. I guarantee you they don't get it. And as you're adding new people. So you have to keep talking about it. First, decide what it is and then communicate it constantly.

The other one. This is back to software. Some people, it's like, OK, well, these are our values. And this is what it is. And this is the way it's going to be because our founders said so 20 years ago or whatever it is. That doesn't work. Culture is more like software than hardware, I guess. Parallel perspective. You should be iterating on it and building it just like you would a product. So our culture code deck is in version 37 of the ones that we publicly publish.

So we keep going back. It's like, oh, well, this is not quite right. We find bugs in it. We have a backlog of requests and change requests and things like that. I someday want to put it into GitHub and do that. But we haven't figured that out yet. So this is the other dark one. This is the probably the biggest reason you should invest some time in deciding what your culture is. Those that are in engineering understand the notion of technology debt. So technology debt is you take this shortcut.

You hack something together. And you put it out there because in the interest of time, you just want to get it out there. And you know that was hack-y code and you're going to have to go fix it someday and pay off the debt, similar to financial debt. I need the cash now and I'm willing to pay some interest rate and pay it off in the future because the cash right now is necessary. Same thing with technology debt. And there is such a thing as culture debt. And culture debt is yeah, this person is sort of a jerk, but they're so good. And we've been recruiting, we've been trying to find this designer for two and a half months. They're the best one we've seen so far. And we have no idea when the next one's going to come along that we really like.

But I don't really want to be around them. And then you rationalize. Oh yeah, but they'll just work remotely. It'll be fine. It's usually not fine. What ends up happening is that they make everybody around them miserable. Everybody that comes and interviews with the company that interacts with that person, it's like, OK, well, I don't want to work for this company. They won't tell you that, right? Because they're interviewing. And the funny thing is when you incur technology debt, you can go back and say, you know what? I wrote this hack-y code that's really slow or really buggy or something's happening. I am going to pay this debt off.

I'm going to rewrite it. It's going to be beautiful. I'm going to refactor the code. It's going be awesome. Culture debt, you might do the same thing. The parallel would be oh, we discovered this person's a jerk. We're going to let them go. Now, the difference is that when you refactor that code, you basically paid off your debt. When you fire that person that was a jerk, you haven't completely paid off the debt because the things that they planted in the minds of the people there, you'll still be rooting out. You will never know whether you completely got rid of some of the toxicity they left behind.

It's amazing how much impact, especially in an early team, that can have. So be very, very careful. And it's easy for me to say, but it's so tempting. OK, we just need this person. We'll figure it out later. It'll be OK. It won't, as it turns out. It'll be OK, but it'll be painful. It's not worth it. The other one that's interesting.

So when we came out with the early iterations of the culture code deck and HubSpot's culture, we're like, OK. We've got it. We've gotten all the feedback. This is what our culture is. Awesome. Our work is done here. And then the engineers will come back. It's like, well, Dharmesh, I know the culture code says oh, we believe anyone can work from anywhere. That's what it says in the deck. That's our philosophy.

We don't believe in specific office locations, whatever. We like the freedom of working from anywhere. And our VP of engineering comes along and says, well, I don't like that. We think we do much better work when we're co-located, as an example. So what ends up happening is that you have this what I think of as the federal versus state issue. So the issue here is you're going to have what you will think of as federal law. These are the things that are inviolate. So we think of as the inalienable rights of a HubSpotter. We will not take transparency away. No one can decide that you don't get access to the financials.

Those are some things that we hold inviolate. We won't change it. But then there are certain things like OK, well, this is our overall philosophy. But an individual group disagrees with that particular structure, that particular guideline. They're welcome to override it as long as they can convince their team and if it's the right thing to do. And that always shows up. Any time you have more than two people or one person with a dual personality, there's always these subcultures that develop in a group. So everyone wants to hire for culture fit. This is a last dark slide, and then I'm going to end on a happy note. I'm going to go on a very, very short rant, but it's an important one.

I talk to entrepreneurs and people all the time that says, we hire for culture fit. We hire for culture. And then my question is, awesome that you hire for culture fit. What's your culture? Just describe it. I'm not trying to be aggressive. I'm not a confrontational guy at all. But what is it? I'm curious. And if you can't tell me what your culture is, that means when you say, "we hire for culture fit," that means you hire people just like yourself. And you're using culture as a shorthand for being able to hire people just like yourself. So you should not be allowed to say that we hire for culture fit unless you can tell people what that culture is.

Because otherwise, you have all sorts of biases that kick in. And that's a very, very dangerous. And so this is one of probably the most important reasons to write your culture down. It doesn't have to be 128 slide PowerPoint deck like we have. But it should be written down, even if it's in an email. Something has to exist that people have access to so they know what it is. And then my closing note is every company, however many people, is going to have a culture. Cultures exist, period, anytime more than one person is together. And with a few calories-- I'm not suggesting you go off and spend hundreds of hours. But every hour, five hours, 10 hours you spend in those early days have dramatic leverage.

Might as well build a culture you're going to love and build a company you want to work for and work in. So thank you. And I will take questions. [APPLAUSE] Yes? Hi. I was wondering if you had anyone that acted as a mentor to you? And if so, in what ways did they guide you? Yeah. I haven't had an official-- Repeat the question for the people in the back. Oh, sorry. Yes. Question is have I ever had a mentor that guided me and helped me through the process. The answer is no.

No official mentor. Not that I wouldn't have wanted one or I didn't think it would be useful. I don't have the personality. Because I'm introverted, I'm not going to reach out to some random person. It's like, oh, can you be my mentor? It feels a little bit awkward to me. That was stupid of me, honestly, because it would've been useful. But I've read a lot. So I feel like I know people that are in the community. And I've gotten better about it now. So now I will reach out if there's someone in my peer group.

Company's going through some more issues and I'll have random dinners with them. There's no official mentor relationship. But I strongly advise it. I've known people that have mentors, and most of them swear by them. That it's an awesome thing. I'll go here and we'll go around. Yep? So in most organizations, I've seen that culture, it has to be defined at the topmost level. What would you do if you were in an organization where the leadership does not want to focus on culture, but they need to? So the question is often culture needs to come down from the top and define the culture. And what do you do in an organization where leadership has not bought into that process? So a couple things. One is cultures correctly done, the only real way they stick is it has to be a collaborative process with the team.

If I had tried-- which I sort of did in the early-- it's like OK, well, here's what I think culture should be. I had read a lot and I know things and I'd been around the company a bunch. You get revolt and people just don't buy it. So it doesn't work. So that's number one, cultures can't be created by edict. It has to be through this collaborative process that ideally would be transparent. Then the question is around, well, what if the leadership of the company just doesn't value culture? Send them a link to this video and I'll help make the pitch. But it's hard. You have to help them recognize the importance of it. Maybe introduce them

either to some material or some persons, live through it.

Because most people that have been through the process in both directions-- no one will argue. No one I know has ever argued. Well, Dharmesh, that whole culture thing. That was highly overrated. Not once have I heard that. Not once. Yes? We'll go here and then we'll go back. Yes. What kind of questions do you ask when you're hiring people to determine culture? So what kind of questions do I ask in order to determine culture fit? So we have this set of five attributes that we solve for. And one of them is humility.

It's number one. It's humility and effectiveness and transparency, and there's a bunch of them. And so what we do is we ask questions that are geared around all five of the attributes, essentially. And so we have a separate set of questions that we have. The things that test for skill set. Do you know the things that you need to do to do this job? But then the other ones are around we're trying to whittle out is someone humble or not. As it turns out, I don't even need to interview someone in order to figure that out. I have a very, very highly sensitized relatively accurate arrogance detector. Literally I can tell in a three sentence email whether someone, where they generally fall on the humility versus arrogance and ego scale. And every person that interviews at HubSpot has a different thing in terms of how they weed out the things.

But every hire and every promotion, we rate the people on how they fit the culture, essentially. OK, was this person humble? Not just when they get hired, but every point. So if you are not humble, let's say you snuck in somehow because you faked it. I don't know how you do that, but let's say you did. It will get caught eventually because every promotion, every review process, we say, OK, well on a scale of 0-10, was this person transparent? Do you think of this person as being transparent? We're a little bit draconian about, I guess, is probably the best word. I'm going to go here and then I'll come back. Yep. Yes? I have an extension of a former question. Who owns the 120 page PowerPoint deck? You're talking about it's collaborative, but you also said that decisions aren't made by consensus. Is it you, or is the head of HR? Great question.

So it's exactly 128 slides, by the way, in case you were curious. For years, it has been. Every time I add a slide, I take a slide away. So it's exactly that. It puts a constraint on. And I own it in terms of being the scribe for the deck. So it's the benevolent dictator for life in the Open Source world thing. So I'll take contributions. I'll take essentially the equivalent of a poll request. And then I'll weave it in and I'll put it out there for comment in an RFC form within the company.

It's like, OK, here's what the next version of the deck looks like. What do you think? Often, I get flamed. But then I weight that back and forth. It's like, OK, well, it's still overall, so it's not done by vote. But anyway, I own it. So every change that's made. Every word on every slide, I own. Yeah. Yes? So you mentioned that transparency is one of the biggest advantages in the company. So are there any challenges associated with having such a transparent culture? Yeah.

There are challenges. Question is transparency is such a big part of the culture. Are there any challenges or downsides? There are challenges. But most people overweight the danger involved, the risk involved, in being hyper-transparent. First of all, I'm going to tell you the back, because it's an interesting one. When we hired our first employee-- so first, it was just my co-founder and I. Hired the third person coming into the team. One of the decisions we have to make is like, OK, well what do we tell this person? That was a decision we have to make. And my co-founder and I looked at each other. It's like, well, the easiest path is tell him everything.

That's an easy binary choice. And so then we just kept doing that. And then as we grew, our board, our advisors, people tell us OK, well, yeah, that's fine right now. But what happens when you guys are out raising a funding round and they can see the cash balance depleting and they know you've been on the road for five weeks and it's like the cash is going to run out? What happens then? And as it turns out, nothing. It's even though we've gone through those dark periods. And the funny thing is, yes, there's risk involved. But what winds up happening when you have a hyper-transparent culture, when you know what the rules are. So we have this hyper-transparent culture. You end up hiring people that are way unlikely to take advantage or abuse that trust. Because it's like, OK, well, if we didn't have that transparency, we can hire people.

It's like, OK, well, is this someone that we feel like we can reveal all of our financials to, that we can tell this. Will they use this against us? And in nine and a half years, we have 11,000 employees in the company. We have never had a breach of trust. And it's crazy. And we've had lots of people and we grow fast. We've had people leave. So I would still highly recommend doing it. Yes, there are challenges. But the upside is immense. Number one is as a society, we value transparency a lot, especially early stage, especially in startup land.

I was going to run this diabolical experiment at HubSpot. And I use the word diabolical because that's the word to use. That's what it is. I was going to ask people when they were hired. OK, we have this thing. We have this very transparent culture. Here is this server that we have, this Wiki, that we have all these documents and all this information. You can have access to that or you can get 10% more in comp if you just don't care about that. It's like, OK, what's the actual economic value that people would place on the access to information? Do you really want it that badly? I didn't run the experiment. My thesis is if we had run the experiment, just about everyone would have said I want access to the information because it gives you a level

of security that you know what's going on.

Not that you need to contribute to every decision. But once again, it's like, OK, in startup land, it's a very crazy thing. This is one of the things when you're recruiting, which you're going to do when you start building the company, the overall goal of an early stage startup up is to convince exceptionally smart people to do this very stupid thing, which is joining in this crazy thing that doesn't make any sense. If you objectively looked at it, it's like, why would they do that? What transparency allows you to do is at least make some convincing argument. It's like, OK, if this completely crazy, at least you'll know what's going on. And it gives you lots of leverage in terms of recruiting and things like that. I think we had a question here. Yes. Then I'll go back this way. So back to the example of the individual with the fabulous skill set who's a jerk.

Yep. I think you put out there the binary decision to keep them and incur the cultural debt or get rid of them? And I'm wondering whether the middle ground of maybe working with them to help them to somehow or other incorporate or assimilate into the culture in a way that actually comes up with a win-win. Yep. What's your perception on that? The question is-- I'm going to shorten it-- which is when you have mistakenly hired a jerk, you have two options. One is you can develop them into less jerkiness versus letting them go, and what's the experience. My experience has been there's actually two kinds of jerks. So sometimes actually normal good people manifest as jerks because it's just they're in their heads and they just come off that way. And in my mind, the discriminating factor of what makes one a jerk and the other one not, really, is what they're solving for. There are people that are-- I'm a little bit this way. I'm super analytical.

And I will question everything. And that's just academic of me, a little bit. But I like to think of myself as not a jerk. And so the difference is are they being jerky just to belittle someone else? Are they doing it out of their own ego? Or are they just doing it because that's just their way of getting inputs or something like that, it's in their nature. But they're still solving for the greater good. So we have people that are skeptics. And this is actually a really good one. So there's cynics and there are skeptics. The little definition for a cynic is not only that they don't believe a good thing is happening and they're cynical, they don't believe good is possible. That's the literal distinction.

A skeptic is skeptical, but they will-- it's like, oh, I'm skeptical about this particular decision. But the reason they're expressing that skepticism is because they believe. They have the hope that it'll get better and that's why they're sharing it. Cynics are different. Jerks, similar parallel, which is some jerks are just doing it to belittle people because that's how they think they raise their own value. And it's hard to tell sometimes. But that's distinction. Hold on. I'm going to go-- wait-- that person had a hand up earlier. I don't know how I know that, but OK.

So my question was really looking at less in terms of companies that people really enjoy working at. Most of them seem to be successful companies that are doing very well. Yeah. How about when things don't go well, when there are lay-offs going on. And you have a mortgage, you have kids. You have a lot of stress in your life. People really tend to develop different attitudes and personalities and things like that. What's your experience dealing with those sort of situations? Because that's when you really need culture. That's when you really need people to come together to get out of that situation. Yeah.

Good question. So the question is successful companies tend to show up on those kind of happy employees lists because they have the resources. They can do the things that are necessary. How do you do that when resources are limited, when you're going through dark times, possible lay-offs. And my answer this is real culture is not about ping pong tables and beer Fridays and things like that. It's about these core first principles stuff. In my experience, what's happened is-- HubSpot's my third startup. And I've lived through layoffs. I've lived through company shutdowns. I've lived through a lot of different things.

And one thing that I've realized is that when you have the right people on board and you're transparent with them, they will cut you a lot of slack. I've had people volunteer to take pay cuts. Dharmesh, I know we're not going to be able to meet payroll. I love this company. I love what we're doing. I'll go to 50% salary. And that happens. People are willing to live through the pain as long as you're honest with them. The issue turns up is when you're going through dark times and this misguided notion of protecting the team from the reality. And that's the rationalization entrepreneurs sometimes use.

And it's not mal-intent. They're like, oh, well, it's part of my job to buffer the team from this darkness that's happening over here. And you have to be careful with that because you don't want to just lay everything out there out of your own oh, I just need to share this misery or something like that. It needs to be for the greater good of the company and for that individual. It's like, OK, this is something they should know. I know it's hard. I know it's tough. But here's what we're going through. And that's the true test of a culture, if you have that in place. So it's interesting.

So every quarter for the last, well, six plus years, every three months we do a survey to all employees across the entire company that ask the exact same question I asked in the first one, which is based on an NPS. On a scale of 0-10, how likely are you to recommend HubSpot as a place to work? And we've been taking that data in every month for six plus years. And that is, in our minds, the leading indicator of how the company is actually doing. I can look at the financials. But if there's a problem, that's the canary in the coalmines. We'll see that. And now we slice it a little bit by group and by geography. We have

multiple offices. It's like, OK, well, there's something wrong in the sales group because-- and you can see it. It's like, OK, there's something wrong with leadership.

This is usually what it is. Something's going on. And so what's interesting is that when we've had our dark times-- and we've had them-- our NPS goes up. Employees are happier. And one of the darker times-- it wasn't dark because it went poorly. When we went public, that was the thing that employees were most worried about. It was like, OK, well, when companies go public, this happens because they're going to stop sharing information with us because now we're a publicly traded company. They can't do those kinds of things. Our overall happiness is measured objectively that we've been doing for years went up post-IPO than before. We talked about it.

We came through it. Put a couple of interesting hacks in place. I'm a big hack guy, so I'm going to tell you this because I forgot to tell you earlier. I'm going to tell you anyway because it's fun. So when we were going public, so we have this hyper-transparent culture, share all the financials with everybody, put it all out there. All 1,000 employees. And then our legal counsel and the bankers come. It's like, OK, well, now you're going public, what you need to do is you need to figure out this group of insiders. And there will be regulations around them in terms of when they can trade stock and all these things. And you just need to pick who your list is.

Is it going to be your CFO or whatever. And it's like, Dharmesh, if you want to be on that list, that's completely fine. Whatever. And then my co-founder and I pause. It's like, OK, well, designate. Well, what's the regulation? How many of them can we have? Because we're trying to figure out who should we leave. And so they come back. It's like, well, there's no limit. No legal. But usually six, eight, 10.

So we made every single employee a designated insider. Every single one. And our chief counsel, they thought we were crazy. It hasn't been done before. We didn't know this at the time. But it's like, OK, well, that's stupid. Don't assume rules that are in place. That's the kind of stuff that I think gives people confidence that just because we've been public, we're not going to go down and crash in burning flames, which we may anyway. But hopefully won't be because of stupid reasons like that. Yes? So you mentioned that your co-founder went to a CEO roundtable discussion and that that was the impetus that started you folks down this path.

Can you comment in terms of your own personal growth, professional growth, in terms of your journey at HubSpot. Have you yourself found coaches or mentors, your own CTO roundtable to discuss these issues with? Because you've got a great visceral sense of how this all works now. Yeah. It's clear that you've digested this through several layers as you've gone through this experience. Yeah. So the question's around so my CEO went to this CEO group. Question is have I been to those group things or whatever? Not formal ones that exist. The one thing I've been doing, though-- I've been doing it for 15 plus years now-- I do these informal dinners with people that I know, I've met online. And some people I know. Some people I don't know.

Every city I travel into, I'll do these random ad hoc dinners. And I have a couple hacks, as you might expect, for these dinners. One is I never plan them in advance. I send the email the day of and say, oh, by the way, I'm in town. My schedule's changed. Are you open for dinner? Question number two is do you know anyone else that you've been wanting to meet or you think I should meet, and we'll have dinners from anywhere from two people to 30 people, any given thing. And the overall-- and I don't label it as this-- but it's what I call-- and I've done this now semi-officially. I call it the Founder Therapy Dinner. And this is super important.

And as I was going through it and I try to get round tables instead of square tables. There's a bunch of weirdness that goes into how I pick venues and stuff. I solve for acoustics because you want to have a conversation. And it's funny. Because what ends up happening is that the same dynamics that exist in group therapy actually apply here. And 50% of the problems the founders go through-- which is 50% of the problems that any kind of issue you're dealing with-- is this belief that you're alone. I am the only one living this thing, whatever. There's something wrong with me and that's why I'm having these problems. If I were a better founder, I would not be having these issues. And I have found overwhelming evidence that all founders have almost the same issues.

Same issues. Most of them are people issues, as it turns out. But they have the issues. And maybe they may be time shifted. And based on the stage, they've either lived them. But they're living something. I have not met a single founder, including ones that are multi-billion dollar companies now, that says, oh, yeah, it was a really tough ride those first three or four years but boy, is it easy now. I don't have any. Doesn't happen. So I strongly encourage you as you're going through this, because-- A, find a co-founder or multiple co-founders because startup life is super lonely.

Super, super lonely. And if you misguidedly don't get a co-founder, find a peer group that you can talk to on a regular basis and vent and share and live the journey at least with someone else. Yes? So usually, you'll find that most public companies, when they put out their financial statements, will adjust some things around to make the company look good. Yep. Usually, it's

to instill confidence in their investors and the market. Do you find that with having such transparency, specifically with regard to your financials, that that has the opposite effect with you? That it hurts maybe your stock price or your investors? It may. So I'll tell you our stance. And the market will determine whether it hurts us or it helps. I think it helps us, because we did this on the road show. So we've had these metrics inside the company for all of our entire history.

So when we went on the road show, we didn't redefine things like lifetime value and tack on the financials that SaaS companies or tech companies often report. And we said, OK, well, here are the financials we've been using, literally the financials we've been using to run the business for the last seven years. And we didn't change a darn thing. And so it was much easier for us to answer the questions or whatever. And yes, it did not put us in as positive a light as it might have. But the street appreciated the transparency. They got it. And we've been fortunate. We're only about a little over a year in. Four public quarters and they've been positive financially.

We've got the metrics and things like that. That helps, obviously. I'll go here and then we'll go. Yes. I'm curious. I noticed your CEO co-founder wrote a book on marketing lessons learned from the Grateful Dead. Yeah. And the openness of your culture and transparency connected with financial success seems to parallel that. I'm curious what other lessons you might have learned or build on from the Grateful Dead? You mentioned the road show just now. Yeah.

Can you bring culture and the Grateful Dead a little bit more explicitly into focus here? Wow. OK. So the question is my co-founder Brian Halligan, he's a big Dead Head. Big fan of the Grateful Dead. He wrote a book on Marketing Lessons from the Grateful Dead. The question is can we apply lessons from the Grateful Dead to culture? And the answer is I personally cannot because I'm not a Dead Head. But what I will tell you, in terms of the overall business of HubSpot, the entire reason the company exists, the overall idea which I didn't talk about-- but I did not pay this person to give me a reason to at least tell you a little bit about HubSpot-- is we created this thing called inbound marketing. And the thesis is that people hate being marketed to. We hate being cold called. We hate spam.

We hate junk mail, all those things. And HubSpot's overall approach was to change marketing to make it more empathetic and more open. It's like, here's what we're doing. This is why. And openly publish your pricing. Don't hide customer reviews. All these positive things that lots of company just weren't doing. So our thesis is that in the long run, especially with the connectedness we have in the world, transparency trumps opaqueness in the long term, period. And whether it's culture, whether it's what you're selling, it's marketing, whatever it is. And I know I'm going to be right.

The only question is the time horizon. It's like, OK, well I'm going to be right--er some things on transparency always trumping opaqueness. But people just have access to so much information now. You cannot get away with the crap you used to get away with before. And that's why companies did it, because they could. Not only do I think it's the right thing to do, I think it's the optimum thing to do. Yeah. Yes? So you opened a Singapore office last quarter. Yep. You plan to open an office in Tokyo.

Yep. --at the end of this year. So my question is when you're promoting your transparency culture across the country borders, what are the major problems? It's a good question. So HubSpot has offices in Sydney, Dublin, Singapore. We're opening an office in Japan. And how does this translate, how does our culture translate across borders and things like that? I'll give you a slightly long answer because I think it's an important one. Of all the decisions we've made at HubSpot, one of the toughest ones when we first opened our remote office in Dublin. And the reason is we were scared to death because OK, well, our culture-- realize we had no offices for the first six years or so. It's like, OK, we're going to open this office in Dublin. We have no freakin' idea how to take this magic that's working here and transpose it over to Dublin.

We don't know how to do that. We don't have that muscle group. I know other companies have done it and done it well. We know it's possible but we haven't done this. We were scared to death. And so what we ended up doing, we made a couple decisions. I'm going to share the one with you that has been the most impactful in terms of increasing the odds of success. And it's going very well. Is when we went into Dublin-- we didn't do it for this reason-- but Dublin had a depressed economy for awhile. Ireland did, overall, leading up to that.

And there were great tech companies in Dublin, but they did what most companies do when they go outside. It's like, OK, we're going to send our crappy projects there. We're going to go there because the labor's cheaper, for whatever reasons, or whatever. And we didn't do that. We did the exact opposite, which is OK, here are the rights that every HubSpotter has. These are HubSpotters, therefore they have these rights. So when we went into Europe, it's like, OK, so we have unlimited vacation. And people told us-- and they meant it facetiously-- it's like, well, you can't have unlimited vacation in Europe. They will never show up for work. And as it turns out, that's not true.

And so we do do that. You have to have still have documents. There are some laws around having a minimum thing or whatever. And so what we did is we said, OK, we're going to take all the things that make HubSpot HubSpot and we're going to try not to change the things simply because it's possible for us to do that or get away with it, essentially. And that's helped. And

we've done a bunch of other things in terms of bringing people back here and trying to infuse it. But it's one of the things on my list of things that keep me up at night is how do we take the thing that's working right now. I don't want to end on a dark note. I'll take one last question. We'll go way in the back there.

When you look at that culture code and companies download that and accept it, what kind of success do you see and what challenges do they have, typically? I don't know if they give you that feedback. Yeah. So it's interesting. Hi, David. I haven't seen him in eight years. He was employee number three in my first startup. So the question is how do we get-- so one of things I did, this is relatively recent. So at the end of the culture code deck, there's an email address. And it's culturecode@hubspot.com. And the deck invites people to provide commentary and feedback, good or bad.

And I read every one of those emails. Every single one. Respond to probably 95% of them. The only ones I don't respond to are the ones that are self-promotional and spammy, trying to pitch me something. And the interesting thing is how universal some of these ideas are. And I will forward some of them to the team because I think they're very, very cool. But people from all walks of life-- and they're not even tech. They're not in startups. They're just working for some manufacturing firm in Boise, Idaho, or something. And they're like, I read the culture code deck and I was nodding the way through.

I've had emails like, this thing made me cry. That kind of stuff. And it's very gratifying to see that even though we're geeked out and tech-y and weird and sitting out in Boston in our own little bubble, some of these concepts seem to resonate with people. And that's very gratifying. And I haven't gotten-- which is surprising for the internet-- no hate mail. And no, like, oh, well, you're obviously doing this and this and the other thing just to take advantage of employees. And you're going to try and put off deferred comp or something. Something, I don't know what it is. But I have not gotten any, which I probably jinxed myself. Thanks for your time.

This has been a lot of fun.