A 15-Year Overnight Success: From the Basement to $2.5 Billion

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Ryan Smith, Founder and Chief Executive Officer of Qualtrics, joins Dr. Jack Zenger and Dr. Joe Folkman in this edition of the Zenger Folkman podcast series to discuss the story of Qualtrics, a company started in his dad’s basement with a valuation of $2.5 billion 15 years later. Ryan tells the story of Qualtrics, its values, and what makes it unique.

Qualtrics is the world’s leading enterprise survey technology provider, serving more than 6,000 enterprises worldwide, including half of the Fortune 100, and 97 of the top 100 business schools. Qualtrics helps enterprises, academic institutions, and government agencies capture real-time customer, market, and employee insights that inform data-driven business decisions.

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We’re here at Qualtrics headquarters, Ryan, and you’ve got to really appreciate this place. There are dogs running around. You walk in the front door and there’s a basketball court and scooters. Most of the employees are slightly younger than Jack and me. What kind of place are you running here?

We don’t take ourselves too seriously here at Qualtrics. This is a great thing that we’ve been able to keep as we’ve grown. When we were looking at the lobby, we had this huge space that we didn’t quite know what to do with. One of the first deals we were trying to close was with the NBA. I remember stepping off the elevator in New York right onto hardwood. This stuck with me because it was so different. Our basketball court has worked out really well where people can release.

The dog thing has gotten a little out of control. We started with one dog and now people actually buy dogs after they get employed just so they can bring them to work. I don’t know if this helps or hurts productivity, but this is another area where we don’t take ourselves too seriously.
We’re fortunate. Our headquarters are here in Utah. We have ten offices around the globe and every office has its unique culture. This morning a visitor looked out the window and said it was like working in Yosemite National Park. We’ve been able to build a tech company here that truly reflects the global reach of technology and the internet. We were able to “build where you are.” No one has the exclusive rights to smart people.

Back up to 2002. It started with you, your dad, your brother, and a few other people. Today you have a valuation of $2.5 billion.

It’s a 15-year overnight success. I was a junior in college. When I get with some of my college friends, I’m the only one that’s had the same job this entire time. Who would have thought that Qualtrics would have been the least risky business endeavor that anyone could take part in?

When I came out of college, we were in the shadow of the .COM. We were just getting started in 2002. Everyone was gun-shy of anything that had to do with the internet. Everyone was running towards brick-and-mortar and the financial industry. Everyone was running back to school. And we had this idea that we were going to democratize the ability to get insights.

At the time, my father was an academic, PhD researcher, and scientist. He was always looking for ways to disrupt himself and trying to find ways to do everything in less time and to be more innovative—cheaper, faster, better.

We created some technology that really did that. It allowed anyone to create a survey, send it out, run analytics, and get results back in real time. At that time this was pretty unheard of. I remember calling one airline in 2005 and someone said, “If our customers are mad at us, they’ll just call us.” Three years later that airline bought a Qualtrics license.

When we started, it was just the academic world that bought into this vision. We started with one university: Kellogg School of Management. They told someone at Wharton, who told someone at Columbia, who told someone at Duke. The next thing you know, it seemed like every academic institution in the world was using Qualtrics.
And today you have 8,500 customers.

Before the downturn, from 2006 to 2008 when the whole world was falling, people were typically outsourcing. If people wanted insights, they would hire a consulting company. When budgets started getting tight, people started thinking that they could do this on their own for a lot less money and actually be able to do a lot more. This is when the digital transformation happened in our world.

At the same time, another dimension was coming up to speed, which was people were graduating from college and taking Qualtrics into the workforce. We kind of hit this perfect storm where someone left Kellogg and went to Heineken and we sold a $60,000 license. Someone else left the University of Washington and went to Expedia and we sold another license.

The idea started that everyone is an insight seeker and we’ve been carving out this vision for the last 15 years, although it has morphed and evolved. It’s been fun to think that what we were working on in 2002 is now at the forefront of technology.

You’re young, but in those years you’ve learned a lot about leadership. What are some of the key insights you’ve gained?

There are a lot of them; it’s been a rollercoaster. One of the greatest life-lessons I’ve learned happened when my father and I started in the basement of our house. I was in the downstairs family room and he was in a bedroom. When someone called, I would say, “Let me transfer you to support” and I would put the phone on mute, knock on his door, and tell him to pick up the phone.

At this time, about 2004, we started getting a little bit of traction, but one of our competitors started gathering a lot of momentum with a product that was very well funded, was a little bit better than ours, and they were selling it cheaper. It was a hard problem. This competitor had raised something like $38 million in funding and was trying to consolidate the market. They were on the cover of magazines. We’d been out a little
longer, but we were slower—we were in a basement and we were bootstrapped. I remember getting frustrated and was really down.

After a couple of days, I went into my dad’s office to complain about our website, which he was in charge of. He replied, “Who’s stopping you from doing it? Who’s getting in your way, preventing you from doing everything that you want to do? Who has to give you permission to do something?”

This was a great lesson in leadership. I had felt blocked and I thought that there were all these reasons why I couldn’t do something myself. As leaders, we oftentimes naturally feel blocked or stuck. But in reality, we’re stuck because of us. Somebody else in our shoes probably wouldn’t be stuck at all. Part of leadership is giving yourself permission to kick butt and make things happen. From that day on, it was like my dad passed me the mantle and said, “Hey, if you want to get something done, go do it, and stop asking for permission.” This is a leadership lesson that we’ve tried to incorporate at Qualtrics. Even if you’re young, just go.

Was that the origin of your philosophy about having to be willing to destroy what you’ve been in order to move forward?

You have to stay relevant in technology. We are ten years since the iPhone came out. Seven years ago, cloud computing didn’t exist. When we were in the basement, we were running one business model. When we went academic, that was another business model.

The hardest move we ever made was going from academic into the corporate world, which was not a popular move. I asked one employee, who was running academic, to run corporate. He literally thought he was getting fired and left the company. I thought, “Wait, a minute. Your job is to run the entire world’s corporate sales—the whole world—and you’re looking at this as a demotion?”

That mindset has had to change every single time we do something. I look at Qualtrics as a series of startups, probably 10 or 15 startups. When we went international, we went from Utah to Dublin, Ireland. Those are very different cultures and Ireland was a new startup. We’ve had to be very
cognitive and cautious that we get people on this ride with us who are okay with change. Some people are great contributors to the company, but if they can’t handle change, they’re not going to be here long and they will get really frustrated. If we’re not changing in tech, we’re dead.

**Around here, people are always talking about TACOS. What does that mean and how did you come up with it?**

TACOS are what we call our core values. People often tell us that Qualtrics has a unique culture. We tried a couple of times to create some principles. We had people from Amazon and Google here and they had basically taken every word that nobody could disagree with and created something like ten leadership principles. We had these principles on the back of every employee’s name badge, but it just wasn’t jiving with our culture. I always felt like these were someone else’s principles.

About a year and a half ago, I did an offsite with our executive team at my house. We basically locked ourselves in my basement and decided that we were not leaving until we identified the description people had of our culture. People from all over had to describe our culture and we came up with five values from this exercise.

The first value is that we’re radically “transparent.” We want to be transparent in everything. That’s hard as you get bigger. We have an all-hands meeting every Thursday and the whole company dials in. I just did an executive offsite and published the meeting notes to the whole company. Everyone knows what everyone else is doing. As we go from 600 to 1,200 employees in one year, everyone needs to know his or her mission. It is amazing that the default in most organizations is not to share—not only to not share what’s going on in the business, but also to not share feedback. We want to be radically candid and transparent with each other so that we know that we’re all together. Transparency is obviously super important.

Another one, and I’ll go in whatever order, is “customer-obsessed.” Everyone asks if we are a sales company or an engineering company. We’re neither. We’re a customer company. We want to be obsessed with our customers. A lot of the customer obsession starts with the employees.
You hate it when you lose a customer.

Yeah. I’ll never forget when I was younger and we had something like 500 or 1,000 customers and I was bragging to someone that we’d never lost a customer. This person had worked for a really large company and said, “You’re just not big enough yet.” I replied, “No, that’s just not true.” Reality is that we want to provide a different experience all the way around. Working with Qualtrics is different than working with anyone else.

This aspect goes through every part of our business. When you call Qualtrics, you get someone live. When you think about how many users we have, that’s a really hard problem. When customers are stuck in a math problem or they’re running advanced analytics on our system, they don’t want to call and get the airline answering tree. That’s not good service for anyone. We spend a lot of money so that customers can call and talk to someone directly. This is a decision we made when we started.

Another major culture value is “scrappy.” Scrappiness is a mindset. One of the reasons that we are able to innovate so much is because of scrappiness. If you look at bigger companies, where they struggle is when they get a lot of money and resources. When you’re resource-constrained, you actually get pretty cutting-edge.

Another value is “one team.” One team means that we are all one team, no matter where we are. As we expand, this becomes critical.

The last value is “all in.” We’ve got to be all in. Nothing good in my life has happened when I’ve had one foot out.

So, we’ve got:

- Transparency
- All in
- Customer-obsessed
- One team
- Scrappy

and that spells TACOS.

In our headquarters we have six physical pillars. We have five values, so there’s this open pillar. It’s there on purpose for “…” We don’t know what
that next value is. If I were to put one down right now, it’d probably be “integrity.” That’s something we want everyone to learn.

The cool thing about TACOS, these values, is that they are all objectives. They are all aspirations. We cannot be transparent tomorrow. If we go a month without sharing our meeting notes, we’re not transparent any more. All in is something we aspire to. I think it’s pretty clear what everyone wants to accomplish and wants to be.

That’s a long answer about some values, but that’s who we are and those are the words we use internally to describe ourselves. These are not things Ryan came up with or people from outside the company use to describe our culture. When we interview people, we say, “Don’t come here if you’re not going to fit. If you can’t be all in, one team, customer-obsessed, or transparent, it’s probably best we don’t play together.” We don’t believe in forced marriages.

To be doing this after 15 years is awesome. It’s what you dream about. I think the average tenure in the Bay Area right now is about a year and a half, which I think is about the worst thing in the world. Teams need time to gel. If this were a sports team, it’d be really tough to accomplish something in a year and a half. I believe that nothing great happens unless you do something for a while. Imagine if we had jumped off Qualtrics at year 7, 8, or 9. No one would know about us. It wasn’t until year 10 that people started saying that we are a great company. It’s like compounding interest where everything begins to accelerate.

We had a podcast recently in which the presenter said one of the key things he looks at in senior executives is how they use their time. What is the most important use of your time every day?

Everyone’s different, but I think it’s pretty easy in leadership to feel like you’re a high-paid router—like an internet router where signals come and you disperse them out to different places. You’re never getting anything done. I personally, and think that others, find joy in being an individual contributor.
The most important part of my day is actually the first hour. I often start my day at the restaurant next door to the office. Everyone knows that they can find me there at 8 a.m. or a little earlier. I’ll either have a meeting or I’m there by myself. I have my earphones on listening to music and I’ll be writing what I’m going to accomplish that day, come Hell or high water.

A lot of the time, I can get that done before I even get into the office. I’m not coming in with this burden. I’m actually coming in where I can help others get unblocked. If I come into the office and there’s something really important that I need to get done, and there’s a lot going on, and things are happening, I don’t want to ever get to the point where I’m too busy and can’t see what’s going on in the org. I often see people that are not available to others. I try to be available for everyone as much as possible.

For me, when I have those meetings first, I find that my day goes better. When I don’t, I feel like a router and I’m not contributing to the business. I am happiest when I’m meeting with customers, when I’m on calls, and when I’m actually doing something.

Everyone should figure out what part of their job makes them the happiest. You’re going to have to do a lot of things that don’t make you happy. That’s one thing I tell my kids: the world isn’t about just doing what makes you happy. But there are parts that you are better at that come naturally and bring you joy. That’s what I want to make sure I do a little bit of every day.

As time goes on, these things have changed. I’m not the same person I was 14 years ago, or even last quarter. As CEO, my job changes every quarter because we are hiring more people who are probably better at what they do than I was when I was doing it.

When you look around the corner, what are the challenges you think you’ll face while trying to keep this thing going, and for you personally?
We just pivoted and created a breakout category, which is pretty interesting. It's called Experience Management. What's happening is that your employee experience and your customer experience are really together. And your product and brand experiences are together. We've created the very first platform that can manage your employee, customer, product, and brand experiences together. We believe that these are the four vital signs of a company. Our goal is that every organization in the world will have an XM platform, just like they have an HRM or CRM platform.

I think that some of our challenges are figuring out how to take this idea to the world.

First of all, we need a long enough runway to do that. Qualtrics will be around for a long time. That's pretty cool, because that means we can mess up a lot. Talent is a big issue. Can we get the right team together? Can we build the right products to make that go?

We need to just keep doing what we're doing. We need to make sure that we continue to innovate. This is where these principles are so core. We have to over-communicate as we get bigger, as we get more international, as we keep moving. We've got to continue to offer that same level of support—simple things like just picking up the phone when someone calls. There are some processes that we want to automate and there are some processes that we don't want to automate. Some processes are inefficient for a reason, like high-level customer support. There are some things that employees get to participate in that are as simple as bringing a dog to work.

We want to create a great environment. As a company, all we can do is control the environment. If you look out across our office, we're an open culture with an open floorplan. Everyone lets others know what they are doing. Everything builds off of this positive vibe.

We do these things because, as CEO, I can't control how people think. All I can do is give them a positive environment, put the smartest people I can find next to them, and hope that they'll want to come in and play business together every day. This is what we have to continue doing to make sure that we're relevant for another 10 or 15 years. And that's hard to do in tech.
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