

Masters of Scale: Rapid Response transcript – Drew Houston, CEO of Dropbox

A virtual-first workplace, w/Dropbox’s Drew Houston

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DREW HOUSTON: We saw everything starting to unfold, watching the headlines. We were in San Francisco in our office making the decision to shut down the office. I don't think any of us could really have imagined the magnitude of what would come next over the following several months.

This idea of being able to work from anywhere, work flexibly, this idea of telework has been around for decades. But if you sort of squint you start to see a lot of the positive potential of that being realized – and then there are a lot of pain points. We've gone through a one-way door. The vast majority of our employees don't want to go back to exactly the way things were before.

How do we preserve a lot of the flexibility and benefits of working remotely? How do we, as a company, reach broader pools of talent? We're calling our approach Virtual First, which is trying to combine the best elements of remote and the in-person experience.

You don't get that many opportunities to totally re-imagine how you operate or how work works. And so when you think about that, it's pretty stunning. Who would have thought that the world would just lock arms overnight and be like, “All right, we're just going to throw away the office commutes, all shift to working from home?” And so okay, well, all the floorboards are up. Let's really think about how we want this to look when we're able to nail it back down.

It's a huge opportunity to rethink a lot of the fundamentals of the relationship between people and the technology they use at work, the way to reimagine what working life is like more broadly. And so when you flip it and think of it less of, like, this is a problem and really an opportunity to redesign things in a fundamental way, I think there's a lot of reason for optimism.

BOB SAFIAN: That's Drew Houston, CEO of Dropbox.

As remote work has rippled across industries and around the globe due to Covid-19 restrictions, Dropbox's digital storage and services have been increasingly in demand.

But these boom times haven't come without their own struggles. And a healthy measure of risk-taking.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk with Drew because he's recently announced a radical new experiment for work practices across his company called Virtual First.

Dropbox closed its offices early on, and will keep them closed through at least June 2021. When staffers return, though, it won't be to the old style of work but to a new hybrid that Drew acknowledges isn't fully baked yet – and won't be until it's put into action.

Drew has set up Dropbox to be what he calls a lab, hoping to integrate the efficiency and flexibility of remote work with the benefits of in-person engagement.

His goal is to bend the future of work into a better experience for all of us.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Drew Houston, CEO of Dropbox. Drew is joining us from his home in San Francisco, as I ask my questions from my home in Brooklyn. Drew, thanks for joining us.

HOUSTON: Yeah, thanks for having me.

SAFIAN: So I was last in San Francisco in early March, scheduled to meet one of your employees for lunch at your offices. And then I get a call that outside guests are no longer allowed to come into the building. And then soon afterwards, you close the buildings, sent everybody to work from home. Where were you as all this was going down? And was closing the building and making those shifts, were those tough decisions?

HOUSTON: Yeah. I mean, we saw everything starting to unfold, as you're watching the headlines. We're all listening to the health guidelines coming in and getting the sense that this is a pretty big deal. We were in San Francisco, in our office making the decision to shut down the office, because it was clear that that was the safe choice for our team and the communities. We're relatively early on that, but I don't think any of us could really have imagined the magnitude of what would come next over the following several months.

SAFIAN: You closed the office, not just in San Francisco, but you ended up closing it everywhere and sort of made remote work mandatory. It's now been extended through to June of 2021.

HOUSTON: It was clear that this is the right thing to do, from a safety perspective. And that's our first priority with these kinds of decisions. What's the right thing for the team? What's the safe choice? Let's not be too on the leading edge one way or the other. A

number of other tech companies were making similar decisions, but yeah, it was becoming pretty clear whether you did it one week or another that something like a billion people would suddenly be working remotely in this wild, uncontrolled experiment that's about as dramatic and abrupt as you could imagine.

SAFIAN: Yeah. Does it feel, still, experimental for you guys?

HOUSTON: Oh, yeah. Yeah. I mean, I think we're all getting used to life on Zoom. For me, sitting in 20 Zoom meetings in a row, and all the while getting the emails and notifications popping up everywhere, and the blurring between work and home life. It's a hard thing to get used to not being around your coworkers, and completely cutting out the in-person element of work.

And then there's some silver linings. There's a lot of flexibility and not having to commute and all kinds of other things that have been new benefits and things that our employees have cited as things that they appreciate. But for sure, we're still figuring it out, and the world is still figuring it out.

SAFIAN: I wanted to dig into your Virtual First strategy, which you announced last month. Because you guys have sort of decided, there's no going back.

HOUSTON: Yeah. In the first few months we, and every company, was just figuring out, okay, how do we adjust to this new normal? Is everybody going to be okay? But then when you zoom out and look at the broader arc of how the way we work is changing, well, there's a couple things. One is, the shift to distributed work is going to have lasting effects well beyond when lockdown ends. The world has permanently shifted to a more distributed way of working. What's been interesting is when we've surveyed our employees, and when we've looked at other similar surveys that other companies have done, there's a lot to like about the new world.

This idea of being able to work from anywhere, work flexibly, this idea of telework has been around for decades. But if you sort of squint, you start to see a lot of the positive potential of that being realized – and then there are a lot of pain points, which are obvious. But we've gone through a one-way door. The vast majority of our employees don't want to go back to exactly the way things were before.

I think that both the, what I'd call the remote-only choice and the ad hoc “everybody come to the office when you feel like” approach, which seems to be the two most common choices, have major issues. One is, going remote only, cutting out the in-person experience entirely, I think is a big problem, because I think we're all, as humans, all of our biological wiring is oriented around being together in person. I think we all miss being together in the moments of community. I think it's very hard to build a team and culture and relationships if you're all trying to do that over Zoom.

So we wanted to make sure that the in-person experience was something that we could really preserve. And then the second alternative of just letting everybody work in the office whenever you want has issues too. If you go into an office that's half empty, because most people are working from home on a given day, you lose out on the community of the in-person experience. But if you still have to come to the office on a fixed schedule or be there a meaningful percentage of the time, then you don't get the same flexibility either. So for us, the thinking was, all right, well, how do we be more intentional about this? How do we get the best of both worlds?

How do we, as a company, reach broader pools of talent? We're calling our approach virtual first, which is trying to combine the best elements of remote and the in-person experience. And so the big changes we've decided on for sure are that one, focused solo work happens at home or in a co-working space if your home isn't conducive to work. And then we're rethinking, repurposing, re-imagining the physical offices, more as collaborative convening spaces that we call Dropbox Studios.

And so in practice, what that means is we're not providing individual workspaces and desks in the office anymore. All of that space is used to be more for getting together in groups. And so that's what we decided to do, and the response so far, internally and externally, has been great.

SAFIAN: So this policy in some ways is an aspiration as much as a policy right now. You have guidelines for it, you can't implement it, and you're still sort of developing it as you're sharing it?

HOUSTON: Yeah. I mean, we're going to take an iterative approach, and we know that neither we nor anyone else is going to hit the bullseye exactly on the first throw. Again, it's a very strange situation to be setting out a policy a year before you can really start implementing it or in minimum, several months. But we did want to set a clear compass direction. So we know we're going this direction, even if we don't know the turn-by-turn directions on exactly the path we'll end up taking. But we know that our goal is to maintain both the in-person and remote experience, try to get the best of both worlds, and provide as clear guidelines as we can and toolkits for folks to get ready, and to have a strong foundation that we can iterate from.

SAFIAN: And if I'm hearing you right, a lot of folks are asking this question, when is it safe to go back to the office? And it's almost sort of defensive, and in some ways you're saying, "Well, we're looking at it the other way and saying, where's the opportunity?"

HOUSTON: Once you get over the vertigo of this sudden shift, we've tried to think about it instead of this something that's happening to us, how do we design this into an experience that we think could really be great? Because you don't get that many opportunities to totally re-imagine how you operate or how work works. Right? And so when you think about that, it's pretty stunning. Who would have thought that the world would just lock arms overnight and be like, all right, we're just going to throw away the

office commutes, all shift to working from home. It's kind of wild. And so we're like, "Okay, well, all the floorboards are up. Let's really think about how we want this to look when we're able to nail it back down."

And sort of by definition, every tool we're using, even things like Zoom, was not really designed for this. I don't think even Zoom would have predicted that you'd be having weddings and running Congress over Zoom, like this is just kind of insane. And so the opportunity presents, okay, well, what if we did design for the new world? We'd make some different decisions.

And it's kind of a re-leveling of the playing field. So we reoriented our product roadmap starting in March to think about, okay, well, what do we lose from the in-person experience? Is there a way for technology to get it back?

For example, one of the pain points with distributed work, or being on a Zoom meeting, is that after the meeting ends, that everything kind of disappears without a trace, there's no memory, there's no, like, whiteboard in the room that still has everything on it when you come back to it. A lot of the challenges that were already there, as far as "I'm using a million different tools, my stuff is in a million different places," that's now become more acute.

And then secondly, the lines between home and work, which were already very blurry, are now about as blurry as possible. And so we realized that our customers have been turning to Dropbox to work more flexibly and to straddle home and work since the beginning. And there's just all these new problems that we can solve.

And, I'll just give a quick example. So we announced an integration with Zoom where we're going to help you organize your content around meetings. And you'll be able to have a meeting agenda and be able to assign follow-ups, and things like that. Things that we think make a ton of sense in the context of that experience. But given that this is so new, and no one's really solved those problems yet.

SAFIAN: These changes in this new world that you're describing, this is beneficial to the business that Dropbox is in. Right? I mean, if I talk to someone who's in the movie business, or the airline business, or the hotel business, they're not quite as euphoric about what this future looks like, but this leads in the direction that you would have wanted the world to go in, anyway.

HOUSTON: I mean, we're very lucky, right? That our business has been way less impacted than the typical business. If anything, it has been more in demand, and we've seen a lot of strength. And maybe this is not the way we would have wanted distributed work to kind of come into the world the way it has.

But it's a huge opportunity to rethink a lot of the fundamentals of the relationship between people and the technology they use at work, the way to reimagine what working

life is like more broadly. And so when you sort of flip it and think of it less of, like, this is a problem and something that's sort of falling on us, and really an opportunity to redesign things in a fundamental way, then yeah, I think there's a lot of reason for optimism.

SAFIAN: Now, you're using yourselves in a certain way as a test for what this future world looks like. I'm curious about how you've thought about the financial dynamics of the business shifting.

Like potentially lower real estate costs, potentially lower wages if you're paying people who are living in less expensive urban markets. How much of that is part of the calculation?

HOUSTON: So I think there are definitely opportunities for this to be a more efficient model of working. For us, it starts more fundamentally with our mission. Our company's mission is to design a more enlightened way of working. And from my perspective, never has there been a more kind of rich opportunity to do that.

We thought about more conservative options. We're like, "Well, maybe we can kind of delay some of these decisions. Maybe we don't have to take such a big step. Maybe we can see what other people are doing." But again, early on, we were convinced like, no, the world is headed in this direction. And if we're going to design products for the future of work, we need to be living that future ourselves. We absolutely see Dropbox as kind of a lab for what that future might look like.

[AD BREAK]

SAFIAN: Your description of what Virtual First will or may look like sounds like individual employees' work schedules will be defined by their teams, right? Their project. And that there aren't necessarily, cross-organization, like, systematized rules. That it's going to be done by each group. Am I understanding that right?

HOUSTON: I think there's benefit to both having a top-down and bottom-up approach, and really figuring out how those meet in the middle. Because I think depending on your team, depending on your role, depending on your personal preferences, different folks are going to make different decisions. And so some teams might want to be much more co-located, or have more time in the office than others.

SAFIAN: And that decision is up to them. Like if I'm a team leader, I think it's good for us to be in the office more, so we will be. It's not necessarily you saying that kind of role should be in the office more. Like it's up to whoever is in that team?

HOUSTON: I think if you leave it totally uncoordinated, then it's chaos. Right? We want to start putting in some of the lines, but then leave a lot of room for the teams and individuals to color in between them. So we'll put in some constraints.

Like, "Hey, we're going to have these core collaboration hours where we expect everybody in the U.S. to be available for meetings," and so on. So there's a block of time during the day, I think 9am to 1pm is our current thinking where yeah, we generally expect, regardless of what time zone you're in, if you're in the U.S., to be available during that period. That helps so that you know that people can't go too far off, or you know that you can at least get time on someone's calendar.

And then I think there'll be cadences company-wide, like having periods during the year. I mean, I think we're earmarking kind of every quarter we want folks to have at a minimum some in-person experience or getting together – whether that's company-wide or like a large organization, or just a person with their team.

But we also want to recognize that again, people are going to have different preferences. It's very hard to kind of centrally plan all of this. And I think there's some big open questions, which are really interesting. And frankly, that we haven't answered either. I think our hypothesis is that we were previously in a 100% in-person environment for the most part, 95% in-person. Now, we're in a 0% in-person environment. Right?

The right answer is obviously somewhere in the middle. We're taking maybe a more aggressive approach in that we think the majority of your time in knowledge work should be to facilitate, like focus solo work, or you shouldn't have to commute for multiple hours to just meet with someone for 30 minutes.

And I think part of why we want to leave some of these things unspecified is we will basically be having hundreds of these experiments that we'll be running in the company, and we'll be able to see like, okay, well, here's the right titration or the right mix, or teams that make these choices tend to be more effective or happier, and then we can continue iterating on the guidelines.

All of that is to say, we're approaching this with an iterative mindset, and really trying to leave room for experimentation while giving people enough clarity and guidelines.

SAFIAN: Yeah. You were on [Masters of Scale previously with Reid](#), and you talked about the importance together of a talent advantage: recruiting and retaining the best talent and how important that is to a business. Do you have data that says that this sort of virtual first approach will appeal to the best talent? Or is it more a conviction, a faith that that will work out that way?

HOUSTON: I think it's a little bit of both. I think stepping back, there's talent everywhere. Cities like San Francisco, New York, other tech hubs have gotten a ton of benefits. Great jobs in those locations, great for employees, but that opportunity isn't evenly spread. When you're able to open that up more, allow more flexibility of location, it's good for companies, they have access to broader pools of talent, often more diverse talent. It's good for employees, because they'll have a broader choice, especially if you're not living

in one of these hubs, you suddenly have a lot of good jobs available. And I think it's good for society, so that opportunity could be more evenly spread out.

SAFIAN: If I understand right, you've said that you're planning to move to Austin, Texas, from San Francisco. Big cities have been hit pretty hard by the pandemic, health-wise and economically. And I just wonder whether virtual first, if that idea is adopted widely, could that make things more difficult for big cities overall? Do you think about what those kinds of implications of this changing work pattern might be?

HOUSTON: Well, I think the tech hubs today are probably still going to be tech hubs in the future. There's so many network effects that cities have that are very hard to duplicate. So you think about the Bay Area, and obviously it has this historic advantage in terms of the concentration of companies it has, the talent, great schools, investors. It's very hard to rebuild all of that from scratch. Like Wall Street or Hollywood, it's been difficult to build another one of those. So I think the tech hubs will continue to have a lot of advantages. But I think taking some of the pressure out of the system in terms of...

For example the Bay Area just is becoming a wildly unaffordable place for most people, and just supply and demand are so imbalanced. It creates all of these problems of inequality and just sustainability on a number of dimensions. I think having some counterbalance or having that kind of a better equilibrium, that again, taking some pressure out of the system by being able to spread out some of the demands, spread out some of the opportunities, I think the balance will be good. And I think this is something where natural market forces will help do that, so that's not so lopsided.

SAFIAN: You mentioned that the business for Dropbox has been good in 2020. You recently reported nice growth, profitability. Is it strange to have a good year when so many other people and organizations are struggling?

HOUSTON: 2020 has brought all kinds of things, and it's brought challenges for us, our employees, and the communities we're in. So it's certainly not been categorically good. But I think at the same time, any kind of crisis, like a global pandemic, even the worst of these crises can have silver linings and opportunities. Not just economic opportunities, but opportunities that really make meaningful change or really rethink fundamental things. So I think broadly, yes, it makes our opportunity a lot bigger.

When you think about the proportion of the planet that is going to be working in a more distributed way and it's going to need help with that. Our customers have been turning to Dropbox since the founding of the company to have more flexibility in how you work. It's a bigger canvas we're painting on.

SAFIAN: I'm curious how personally have you been feeling through the pandemic? Do you feel healthy? Do you feel safe? Do you feel stressed?

HOUSTON: It's kind of all of the above. In the beginning it was pretty scary. Because you don't know how this is all going to play out, and it feels like... Whether at work or personal life, it seems like so many people are just so affected, especially early on by this. Because you had people who are medically affected, people are sick or had family members who were sick. Folks who are struggling economically, because all these businesses were closing, or people getting furloughed. So I think in the beginning, seeing the weight of this on the team, on our customers, that was really tough for all of us. And then for me personally, it's very strange to be running your company through a little porthole on here, on your laptop.

Some things are weird. We're used to having these big, all-hands meetings, where you have hundreds of people in a room, and suddenly those hundreds of people are just a little counter at the bottom of the Zoom window. You make a joke or something, and it's just like clinically dead silence. A lot of things take some getting used to, but then once things stabilize a bit, then... I love to think about the history of knowledge work, how people work. We're going to look back on this and be like, this was as big a shift for our industry as the shift to mobile or the cloud. As far as the magnitude of how transformative this will be to working life or the shift to distributed work, it becomes really exciting.

SAFIAN: I know you've thought for a long time, obviously, about where the future of work was going to go. Did you realize that video was going to be such a big piece of it?

HOUSTON: No. For most of us, at least for me, and probably most of the people within Dropbox, the technology we use is kind of the sidecar to the in-person experience. We certainly use Zoom, and you'd be on video meetings, but maybe one or two a day, not 10.

I don't think any of us were expecting the screen to become 100% of work. Maybe after lockdown it won't be 100%, but for a lot of people it might be a lot closer to that than it would have been before. So, yeah, the ramifications of that shift are just enormous. And just, I certainly couldn't have predicted that. I think maybe on a 10-year timeline or something, you might've seen things gradually moving in that direction, but it's like someone just jumped on the scale and pushed it way forward, way faster.

SAFIAN: There are some people where the world as we know it is changing too fast, it feels too fast. I guess I'm curious, what's the role or the obligation of a CEO or a business, particularly in a tech business, in bridging those kinds of gaps in our society? Especially those that have been fueled by technology. How do you think about that?

HOUSTON: I think CEOs have a lot of responsibility, within and outside their companies. Our first thought during the onset of the pandemic was like, "Okay, how do we take care of our team? How do we take care of them not just in the sense of making sure that their work is on track or something, but more like, just how are they doing as a human?"

We got to take care of our customers. When there's all these folks emailing in being like, "Hey my small business, its revenue just got cut by 80%. Can you give us a break on some of these payments?" So figuring out ways to help people, help customers thread the needle on this, because as you said, there's a ton of suffering out there of all kinds from the pandemic.

And then more broadly I think, given the impact of tech, opening up opportunity to good jobs and opening up opportunity more generally is a good thing that tech can do that has a lot of beneficial effects. And then through our products, we're like, "All right, how do we kind of bend the curve of the experience of distributed work to actually be great?" Why am I – I'm getting notifications 24/7. And people call, they're like, "Yeah, I don't know if it's working from home or living at work," it's not sustainable.

So figuring out how do you design the technology in ways that help employees set better boundaries. Make it much more sustainable by default. Recognizing that there's this epidemic of burnout in knowledge work that just wasn't really the case 30 years ago. For every problem technology solves, it creates a new one. We've gone from a world where when I visited my dad at work, he got five emails a day, not 500.

So while this interconnectedness and all these new tools are great, it creates a sprawl, and this chaos that makes it really hard for people to focus. And so, what I try to think about is some of these second-order effects or side effects of all these things. How do we shape all that to get to a better place?

SAFIAN: It seems like it's definitely been going the other way.

HOUSTON: Right. And, okay, what would it mean to have a self-organizing Dropbox? So instead of you having to file things and folders and do all that kind of gardening yourself, how do we leverage the renaissance in machine learning and AI to do a lot of that busywork for you? Given that there's so many different platforms and apps and ecosystems, how can Dropbox stitch all of that together so that your Google Docs can live next to your PowerPoints can live next to your Figma docs, so that you don't have to do that yourself. How do we give you one search box, not 20.

How do we shape technology so that the good outweighs the bad as much as possible.

SAFIAN: What do you feel like is at stake for us in this moment?

HOUSTON: I think there's a lot of different possible futures ranging from dystopian hellscape where you're just working 24/7, and a lot of the dynamics we've been talking about just get worse. Or a lot of the positive elements of the vision of virtual telework, distributed work, that have kind of been promised for 20–30 years, but only now are actually on the horizon or being realized.

So I think, there's a lot at stake, and these things don't get to a good place by themselves. I think it takes a lot of intentional effort to really steer. Obviously with our products, we try to. That's a very direct impact on our customers: How do we make your working life more sane? How do we do more for you?

How do we advocate for a more sustainable working culture? How do we make it have better defaults in the tools so that kind of thing doesn't happen? How do we connect the dots between things we know about what makes people happy and engaged, and these things are not rocket science. It's like, "Well, people are happy and engaged when they have a sense of purpose. When they have a sense of community. When they get sleep. When..." We could all make a list like that, but then you go into the sort of conventional office, certainly a year ago, and it's like, we go in and just forget all that and do the opposite. How little sleep did you get? How busy were you? How many emails did you respond to at 2 a.m.?

SAFIAN: Yeah, it's like this illusion of productivity because you got through all of these emails and Slacks and whatever, but did you actually get something valuable done?

HOUSTON: Yeah. This is a thread that goes back to the Industrial Revolution. It's like, all right, "Well, did it make sense to operate a factory 24/7 and make as many widgets as you can." But that's not how you run a team of humans, right? You actually will neither be productive nor will the team be engaged. So it's like no one wins, it's not like the company's winning. It's not like society is winning. So it's a lose, lose, lose.

And importantly, there's no one like sitting in some tower somewhere saying, "Wouldn't it be great if work occupied every waking moment of our lives." It just sort of happened one day at a time. But our society has solved this kind of problem before and kind of bent things in a better direction.

I think you have to start by raising awareness of these kinds of issues and helping diagnose the problem and advocating for better decisions. That's what I think is really exciting about the road ahead for us. And then one of the best parts about my job.

SAFIAN: When you were on Masters of Scale with Reid, you talked a lot about the books you read. I'm curious if there's anything you've been reading lately that's been helpful.

HOUSTON: Yeah. There's a book I'm reading right now called [Thinking in Systems](#) about system design. And actually it talks a lot about how you can end up with these – or where unintended consequences can take over. And any time you have this big, complex, dynamic system, like any kind of society, any kind of company, often they have these characteristics that no one wanted. So okay, how do you pull that apart? How do you solve, how do you address those kinds of challenges? That's been really interesting.

This guy, Cal Newport, who wrote the book [Deep Work](#), he's got a new book coming called [A World Without Email](#). I'm in the middle of reading an early version of that. And Reed Hastings wrote a book called [No Rules Rules](#), which is about the culture at Netflix. So a lot of good stuff out there.

SAFIAN: Well, Drew, thank you for taking so much time with us and sharing all your experiences and ideas with our audience. Really appreciate it.

HOUSTON: Awesome. Thanks for having me.