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BOX: THE EVOLUTION OF MANAGEMENT PRACTICES IN A START-UP

INTRODUCTION

In December 2014, the market was awaiting the highly anticipated $150 million IPO of Box, an online file sharing and cloud content collaboration service that had 32 million users across more than 275,000 businesses. The company filed for an IPO in March 2014, but had postponed it, citing a major market correction in the weeks following the filing. Andrew Smith, director of Global Sales Strategy, took this moment to reflect on the company's growth since he joined in 2008, when Box had fewer than 20 employees. Aaron Levie and Dylan Smith founded the company in 2005 while still in college, and almost 10 years later Box was valued at $2.4 billion, and had over 1,000 employees at five major locations: Los Altos, California (its Silicon Valley headquarters); San Francisco; Austin; London; and Tokyo. As the company grew and expanded, it was evolving its approaches to and processes for hiring, compensation, promotions, and performance evaluations. Andrew Smith knew Box's people strategy and organizational talent design needed to match the company's overall objectives and the skill sets of the employees it wanted to hire and retain.

Box had attracted over $560 million in investment and was one of the fastest-growing enterprise software companies in the world. To continue that trajectory, one of Andrew Smith's main go-to-market business challenges was to accelerate existing growth engines, and he was constantly looking for new products and markets. It was critical that the company not slow down, both from a business perspective and a people perspective. To attract and retain top-quality people who were what Andrew Smith called "entrepreneurial and builders," Box needed to be able to offer them new opportunities to have an impact on the company and keep them engaged. However, he noted that market competition was increasing, and as Box disrupted larger

Debra Schifrin and Professor Kathryn Shaw prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

established markets, the team had to continually evaluate the market and iterate the strategy to sustain the fast pace of growth. Box would have to figure out how these things might impact employee engagement and how People strategies might help with that.

Andrew Smith said Box had benefited from a network effect in hiring, when current employees told friends that Box was on “a rocket ship,” allowing employees to gain responsibility, obtain promotions quickly and receive increased compensation packages with potentially valuable equity. At the same time, Box was bringing in more senior people, who were expecting a more traditional package—including benefits, 401K plans, etc. The hiring and retention landscape might also change post-IPO, so the company needed to have the right people strategy in place in preparation for that.

BOX: A BRIEF HISTORY

Aaron Levie was a student at the University of Southern California in 2004 when he began developing a cloud storage technology optimized for file sharing and collaboration. Wanting to build a company around the technology, Levie brought in his high school friend, Dylan Smith, to work on the business side. Together they founded Box.net, and it went online in 2005. The web-based service was easy to use and Box quickly gained customers. Within a year they had both left school to focus on Box. (Smith had been studying at Duke, where he eventually returned to graduate). With a cash infusion of $350,000 from a high-profile angel investor, the company began to take off. Levie and Smith moved to Silicon Valley, and in July 2006 they raised their first institutional funding of $1.5 million from a VC firm.[1]

Box used a web-based distribution model, Software as a Service (SaaS), so customers could pay a subscription fee based on use, rather than making a large up-front payment. But Levie and Smith wanted to rapidly scale, so in 2006 Box embarked on an aggressive customer acquisition strategy and instituted a “freemium” model. Customers received 1 gigabyte of cloud storage for free and then could purchase more if they wished. While the freemium model became more common among SaaS companies later, at the time it was a new strategy, and some investors considered it a risky move. It paid off well for Box, and its consumer customer base grew rapidly.

But 2007 brought more competition, and Levie and Smith began to re-evaluate their focus on the consumer cloud storage market. After much discussion, they decided to pivot and focus on the more lucrative enterprise market. In 2008, an increasing number of small and medium-sized companies (SMBs) became customers, and in 2009 employees of larger companies began using Box of their own accord. Realizing this, companies began adopting Box for their whole organization. On top of which, Box aggressively went after the big fish, and by 2011 it began gaining real traction with the enterprise market. During all this time, Box enabled customers to access and share data on mobile devices through iOS, Android and Windows Phone applications. By 2011, Box had raised a total of over $110 million, and in 2012, Box raised another $125 million.

[1] Draper Fisher Jurvetson (DFJ).

Early on, Levie and Smith understood that providing storage and shared file collaboration would likely become commoditized. (See **Exhibit 1** for competitor market share by revenue). In particular, large established enterprise software vendors could begin to offer similar services for lower prices or for free as part of a suite of offerings. Box therefore developed an all-inclusive enterprise platform on which companies could access all their data and do workplace collaboration, content management and editing. In 2013, Box began to reposition itself and emphasize its platform in addition to its application. An important win for Box was signing deals to integrate its portfolio with large tech brands, including Google, Salesforce.com and Netsuite. Box continually looked for new ways to fully utilize the platform and convince customers to build their data infrastructure on top of it. Levie described Box's strategy as a "race to the top," adding:

> We are in a race to constantly add more and more value on top of storage, on top of computing, to deliver more capabilities, more kinds of industry-unique experiences, greater depth of our platform functionality to the industries that we're going after. So it is all about going into the top eight to ten industries and finding where are companies reimagining their business, where are they going digital, where are they transforming their business model, and how does Box act as a platform that could accelerate that push into the future?[2]

Financials

In March 2014, Box filed for an IPO, but soon after, the stock market went through a major correction and Box leadership put the IPO on hold. In July 2014, Box raised another $150 million in private investment, bringing its total investment to over $560 million. As part of its IPO filing, Box filed an S-1, and then updated it in July 2014 and again in December 2014 (see **Exhibit 2** for S-1 selected financials). For the first three-quarters of fiscal year 2014, Box had revenues of $153.8 million, up from $85.4 million during the same period in 2013, and losses of $121.5 million, down from $125.2 million.[3] Investors were encouraged by Box's strong revenue growth, but expressed some caution about the high amount of losses (although they noted that losses had dipped slightly) and the fact that the company's sales and marketing expenses were $152.4 million—almost as much as total revenue. Box also burned through about $32 million in cash in the third quarter of 2014,[4] a much faster burn rate than that of similar companies at that stage. In November 2014, Levie explained to *Business Insider* that the incumbents Box was taking on, like IBM, EMC and Microsoft, were much larger than those that similar companies had faced, "so the scale of the competition (for us) is far greater."[5]

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[2] Eugene Kim, "Aaron Levie on Box's Unusual IPO Process, Burn Rate, and the 'Race to the Top,'" *Business Insider,* November 13, 2014, http://www.businessinsider.com/box-ceo-aaron-levie-qa-2014-11 (accessed December 8, 2014).

[3] Box Inc., S-1 filing.

[4] Ron Miller, "Box Files Third-Quarter S-1 Update Amid Improving IPO Climate," *Techcrunch,* December 10, 2014 (accessed December 29, 2014).

[5] Eugene Kim, loc. cit.

Box's Entrepreneurial Culture

An important part of the Box culture was having employees who were self-starters and entrepreneurial and who wanted to grow their careers quickly and make a big impact. Box's Director of Recruiting Kenny Mendes said, "We are not telling candidates that this is where they are going to spend their entire life because part of the culture is to help develop future entrepreneurs. This is a big dream of CEO and cofounder Aaron Levie, and we have spent a lot of time teaching people the skills that they will need to one day leave Box and start their own company."[6] (See **Exhibit 3** for selected Box bios.)

Evolution of the Workforce

For many years, almost all Box employees (or "Boxers" as they were known internally) were under 30 years old. In 2014, the average age was 33. Evan Wittenberg, senior vice president of people, said Box was more heterogeneous than it had ever been, but even so, the company was looking for more diversity and wanted to be inclusive:

> If you see the picture on our wall of our four cofounders, they were all men about the same age from college.[7] But over time employee demographics and profiles change. Our workers are not all going to be sleeping in a sleeping bag on the floor because that is where they live and this is all they do. It has to change over time, and if you can manage that change in a way that feels inclusive and doesn't feel like, 'I'll never be successful if I'm the guy who has to go home and take care of my kids,' then you have done something well, and that is not an overnight process. But you have to find a balance, and every large or small decision adds up. People point to the most surprising things and say, 'Oh, so we are going corporate.' So every little thing really, really matters.

For example, every year Box had a big evening Halloween party with drinking and dancing. In 2013, the company added a second party specifically for families. Wittenberg said at first there was some concern among employees that the company was downplaying the adult party to spend time, energy and resources on a kids' party. But in the end, most employees—both those with and without kids—came to the family party, and it was a big success. "So that is the natural progression of things—to make sure the company is more inclusive to more types of people."

For its first eight years Box did not have an employee engagement survey. Wittenberg said some of the leadership did not want one originally because it was "big-company, corporate stuff," and they felt it went against Box's entrepreneurial culture. But one of the first things Wittenberg did when he came in 2012 was to create an employee engagement survey called "Soapbox" to set a baseline. It was 65 questions, took less than 15 minutes, and was done twice a year. The focus of the half-year survey was manager effectiveness. Quarterly pulse surveys were then added. Wittenberg said it was valuable because it put more data into the company's culture and environment discussion, "because if you don't have the data, how can you possibly know where to focus your efforts to make positive changes?"

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[6] All quotes are taken from interviews with the case writers unless otherwise noted.
[7] Sam Ghods and Jeff Queisser are the third and fourth cofounders of Box.

Working Space

Box started in a garage, then expanded to one room, and then to one floor, and then to its three-floor Los Altos office building. Throughout that growth, Box never added private offices to its workspace. All employees, including the CEO, sat in lines of desks. This configuration was designed to increase collaboration and transparency and make the term "open door policy" moot, because there were no doors. As Andrew Smith described it, "Each department is its own swim lane in a pool. And when we're all sitting together you could adjust and understand the waves that are coming across your swim lane from the other organizations."

As the company populated its three floors, it was trying to preserve its collaborative attributes. But the nature of internal communication changed—especially because Box had to split functions across floors. Wittenberg said, "The tradeoffs are interesting when you get to a scale when you can't all be together." The company was also trying to preserve some of the customs that involved everyone. A prominent one was when a salesperson completed a sale, s/he would bang a gong and drink a shot of alcohol. When all employees were on one floor, everyone would hear the gong and clap. Wittenberg said that when Box grew, it put TVs on every floor, "so a picture of the gong would appear and the sound would be piped through all the TVs, but by definition you lose something about the immediacy and the realness."

EVOLUTION OF HIRING

From day one of the company, Levie and cofounder Dylan Smith approved every hire—a practice that had not changed 10 years later. But as the company grew, it needed to put in place a recruiting team, create a rubric defining the qualities of those to be hired, bring in more experienced people, and develop a more formal hiring process.

Recruiting

In 2009 Box hired its first recruiter, Kenny Mendes, as employee number 41. The year 2008 was difficult for the company because it was struggling to attract enough engineering talent. This was negatively impacting Box's ability to meet its business imperatives. Box's engineers were recruiting people through their own networks, but that was not yielding the quantity of qualified people the company needed. Mendes said that when he first joined, the main selling point to potential candidates was Levie. "When I started at Box early on, we did not have much of a brand. We were known as Box.net. It was not sexy at all to be an enterprise software start-up company in 2009. But Aaron had this very, very big appetite for building a world-class team. That later ended up becoming one of our biggest selling points, but at the time we did not yet have the advantage of that reputation."

Box's recruiting team grew rapidly, but even so, Mendes said there were inflection points where there were big growth goals ahead, and committing to them meant spending a lot of money. There were times when recruiting did not get the resources it needed to match those growth goals because of uncertainty about how quickly the company would grow. Mendes concluded, "We have been, if anything, behind the curve on resourcing for recruiting."

Why people choose Box

Mendes said he found three main job decision motivators for people considering working for Box: 1) Working on interesting and complex problems and finding stimulating work, 2) Having a good team, and 3) Having a stable but high-growth environment. Money was not one of the top motivators. Mendes said that pay was comparable to other similar companies, but Box told candidates that it was not the place to go to make the most money. “We are transparent that it shouldn’t be a candidate’s primary motivator.”

Whom to Hire?

When considering candidates’ ability to fit into the culture, Box used what it called the “Los Angeles Drive Test.” (It was about a five-hour drive from Box headquarters in Silicon Valley to Los Angeles.) The questions posed were not just, “Can you tolerate being in a car with someone for five hours?” but rather, “At the end of the trip will you be a better person as a result of having spent time with him or her? Can you learn and grow from that person?” Box also had a “secret sauce” of hiring: Does the candidate show passion for something that s/he became excellent at? It did not have to be work related. For example, one recruiter was a U.S. champion baton twirler, and an engineer was a world champion juggler.

Internal hiring

In 2014, Box was exceeding its goal of having 50 percent of open manager positions filled by current Boxers and 20 percent of all open positions filled by Boxers through internal mobility. The strategic reasoning behind those goals was to retain the best people by keeping them engaged and giving them the opportunity to do something else within the company. Mendes said, “They want to learn something different and they feel they can still learn that at Box.” When Wittenberg came to Box in mid-2012, he discovered that employees did not know that internal hiring was happening. In 2013, his team started sending company-wide e-mails called “Boxers Wanted” detailing open roles, and then “Boxers Found” when internal hires were made.

Challenges with Hiring Entrepreneurs

Entrepreneurship was a critical part of Box’s culture, but Mendes said that hiring young entrepreneurs had its own challenges:

> We hire folks that are very smart and hungry and aggressive into entry-level roles, and in a year they get antsy and want to learn how to do something else. Our leaders struggle with that because that means they have to then refill that role again and retrain someone, knowing that a year later that person will probably also want to move to another job. So there is pressure from those leaders to want to hire less hungry and less entrepreneurial people to do that job and who would actually be satisfied—but we really don’t want to go down that path. We would rather face the hard management situation where we really need to be thoughtful and mindful and hiring brilliant people who want to grow versus hiring people that are just going to be satisfied doing the job of that kind of entry-level role.

Hiring More Experienced Employees

As Box grew it recognized that it needed to bring in more experienced employees, so it began to do so. An important first step was hiring Dan Levin as COO in 2010. Before coming to Box he spent over six years at Intuit in a variety of roles, including senior vice president and general manager of the small business group. Levin was tasked with hiring the next set of company leaders to help Box scale. He worked with Levie to design and execute on a strategy to inject "enterprise DNA" into the company. This included bringing on leaders such as the vice president of strategic marketing at EMC Software, Whitney Bouck, and Graham Younger, former senior vice president of worldwide field operations at SAP SuccessFactors.

A challenge for the company was finding experienced employees who also had the entrepreneurial mindset. Wittenberg called them double-horned unicorns. "We want people who have done the big jobs and who can take Box to the scale it needs to be, but are also willing to roll up their sleeves and do the work themselves."

Levie said Box was trying to find "born-again and reformed" enterprise software people, for example:

> … People who had a great experience in the Oracles of the world, but who wanted to do it differently going forward. We wanted people who sought to build a different kind of culture. We wanted people that wanted to create a different kind of company than a traditional large enterprise software company, and that moved at a different speed than a traditional large enterprise software company. People that worked with customers differently than a large traditional enterprise software company. People who have deep experiences and they have the context to sell into enterprise firms, but they actually want to go change how this industry works.[8]

Box encountered several issues with hiring these experienced leaders. For one, despite the company's best efforts, there was a danger that bringing on experienced leaders could negatively impact the entrepreneurial culture. Second, it was a change in demographics, which could cause tension. As mentioned earlier, Box's median age was 33, and more experienced hires could be a decade or two older than that. Third, Box had to convince experienced leaders that if they joined the company they would receive support from their direct reports.

The Hiring Process

Andrew Smith described his hiring story as typical for 2008. He said there was not a long interview process. "I was introduced to the team and Aaron Levie, and I came down to meet with him and Jim Herbold, the head of sales at the time. And that day they made an offer on the spot. … When I joined Box, we would interview three to four people at least for sales positions.

[8] This quote is from Stanford Graduate School of Business case, "Box: Building the Next Generation Enterprise Software Company," SM215, written by Shalie Gaskill, Stanford Lecturer Robert Siegel and Stanford Professor Robert A. Burgelman.

But we did not have the structure rubric: What do we think we should be hiring for? What is the educational bar we should have?"

Developing a Hiring Rubric

Andrew Smith said when the company got to about 150 people, "It felt like the culture was at a scale where you did not know everyone in the company. Aaron took that moment to document what it meant to be a Boxer, because as the company was growing rapidly he could not interview everyone personally." Levie, in collaboration with Mendes, developed 10 core tenets of what Box wanted from its talent. That rubric had not changed much over time. For example, for recent college graduates, Box cared more about candidates' academic background and track record. For candidates who were already in the workforce, Box cared more about their career path, the kind of companies they had worked for and whether those companies were selective in hiring. Box also encouraged its business unit leaders to develop their own rubric to use in conjunction with the company's rubric. Andrew Smith developed his own rubric for sales people: a 12-point grading scale for each candidate.

Bringing the Team into the Hiring Process

Before the names of the candidates hit Levie's and Smith's desks, many Boxers had weighed in on candidates. The process began with the hiring manager (the person whom the new employee would be directly reporting to), who developed the job specification and gave it to a recruiter. The recruiter would then find appropriate candidates and present resumes to the hiring manager. When the two agreed to move forward with a candidate, the recruiter would do a phone screen, and then the hiring manager would do a phone screen. If those went well, the candidate would come onsite for four to five interviews by team members. Everyone would enter their feedback into Box's Applicant Tracking System (recruitment software), and then meet in person to discuss the candidate. If the recruiter got the green light from the hiring manager to move forward, s/he would send an offer approval thread via e-mail to Levie and Smith, which included a compensation range determined by the compensation team. The two cofounders would review the candidate's resume and team members' feedback and ask the team questions if they had them. If Levie and Smith were satisfied, they would approve the candidate. Because of the scale of the company, Levie no longer met with every candidate before making a hiring decision. But as Andrew Smith pointed out, "He absolutely checks everyone's resume, and the interviewers know it."

EVOLUTION OF COMPENSATION

In Hiring

In Box's early days, many candidates were focused primarily on building a large and successful software company. According to Andrew Smith, the first cohort of employees at Box were not concerned with how their compensation compared to the market, nor did they have additional external responsibilities, which allowed them to devote a disproportional amount of time to build the business. "Cash compensation was low at the beginning. I came from banking and took a pay cut to join Box. I would assume most other executives did that to follow their passion and trusted that when we were successful the equity would pay off. And now we are at 1,000 people and we operate at a different scale, which shifts toward a heavier cash compensation package versus equity compensation."

All full-time employees received equity, which vested over a four-year period. But this shift in the compensation balance was related to both the available amount of equity for distribution and the fact that the employee pool was shifting from higher risk-tolerant people to lower risk-tolerant people as the company grew.

Smith pointed out that because of these compensation shifts, there were many situations where the differences in salary among employees caused a healthy tension. "How do you balance the early cohort of people who are earning a total compensation package with equity? They were historically brought in lower on a cash basis. But then they are recruiting people with a different allocation of cash vs. equity. So I've had managers on my team that have had to recruit people who were getting paid more than they were in salary. And it's a really interesting dynamic for hiring managers to deal with."

In 2010 Box shifted the 10 percent performance bonus it had been awarding for all its employees into guaranteed salary. Mendes said this was because the hiring climate was extremely competitive: "We needed to be as strong with our initial offer as we could be. Moving that 10 percent bonus into guaranteed salaries helped us get candidates that we just would have lost because they weren't valuing that performance bonus at the offer stage." Only senior directors and above still got performance bonuses.

Benefits

Andrew Smith said that, similar to their attitudes about pay, early employees were not focused on benefits.

> We always focused on hiring the best available talent. Our founders were all in the college era, and they were not worried about health insurance or health insurance for kids. But the trigger point was when we were trying to recruit more established and executive talent. They said to us, 'These are nonstarters for me. I need to have an insurance plan that covers my family.' How we are able to recruit people and what the necessary benefits are that we need to deploy across the HR strategy has definitely changed. We would not have been able to recruit the leaders that we did without some of the HR nuts and bolts in place.

Compensation in Raises and Promotions

After 2010 Boxers were rewarded for performance using annual salary increases based on performance. The company rewarded top performers well to showcase what a high performer looks like. Mendes explained, "We are adamant that if we have limited resources to give away in terms of rewards, we don't want to peanut butter it. We don't want to spread it thinly across everyone. We want to reward the highest performers to drive the right behavior in the company." He added that the company did its best to weed out low performers quickly. "The equation is not that if you don't work you are not going to get your bonus. If you don't get your work done, you won't be working at Box anymore."

In mid-2012, Box started tying performance evaluations into the mechanics of pay and who received stock. There was a four-point rating system (described later) that correlated to what an employee's pay would be at the end of the year, along with market-driven ranges and benchmarks. There were both performance-based increases and promotion-based increases. Mendes said that by 2014 the process had become more formulaic and systematized. "Before, the company was small enough that you could handle performance pay increases without these kind of intense systems tied into compensation—but now you can put in the rating system and all the jobs are defined, so it actually spits back the percentage increase that is recommended."

Evolution of Promotions

Speed of Promotions

Andrew Smith said when he started at Box in 2008 the company was going through rapid growth, and Box needed to find the balance of management scale while remaining a flat/agile organization in order to move quickly. Therefore the promotion cycle was also rapid; in some organizations employees spent 6 to 12 months in a particular position before being promoted. Smith said this kept people incredibly engaged:

> They felt like they were making gains and getting broader experience of running a larger set of the company compared to their peers at other companies. The energy and passion for the company was a huge driver. And we really got a network effect of recruiting in Silicon Valley when that happened. You're out telling your friends or your university classmates about Box, and they say, 'Wow, you're on a rocket ship. That sounds great. I want to have those opportunities in my career. What if I looked to join Box?'

But there were some problematic aspects of these quick promotions. Smith said there were many full-time managers moving into roles "where they did not have the breadth of expertise to know the different scenarios and to have a particular plan of how to build a lead nurturing program or demand generation or manage Google ad words if they haven't done it before. We were confident our employee talent could problem-solve and build, but that is balanced in contrast to hiring someone with more experience who could shortcut the process, while always asking ourselves: Just because it was done before one way, is there a better way to do it today?"

Over time that fast promotion cycle slowed because Box was able to recruit more external and experienced talent. The company also realized that for employees to develop the skill sets in those particular roles took a bit more time, and that time would allow them to be successful in the next role they took on. Nevertheless, Mendes said, "If you ask most people here if they get promoted enough, they will probably say no."

Promotions Process

In the early days of Box there was no promotions process. Hiring managers would determine that they needed to promote someone to meet a business imperative or because they decided that an employee was going to grow in their career, and it was the right thing for them to be promoted. Then they would make a pitch to Aaron Levie and Dylan Smith to get approval and financial support. As they did with hires, the cofounders had to approve every promotion at every level in the company.

In early 2013 Wittenberg put a more formal process in place and created a cross-functional executive promotion committee, which made promotion decisions for directors and those ranked higher. The committee included a couple of executives on a rotating basis, COO Dan Levin and Wittenberg. The idea behind the committee was that executives should be leaders with broad reach across the entire company, so decisions about promotions should not be made by just one organization. For promoting people below the director level, a different system was put in place: organization leaders could promote whomever they wanted based on calibrated performance reviews and strong peer feedback. At first they voiced unhappiness that they could not promote someone to director, but the tradeoff was they were in charge of the rest of the promotions in their organization, which had not been the case before.

Creation of Career Paths

Engineering, as well as some other organizations within Box, created career paths for employees early on. Career paths showed the different levels within the organizations and where people were along that path. In other parts of the company, Box was just putting career paths in place at the end of 2014. As it did so, some people were quite surprised to discover they were junior, even though they had been in the job, or even in the field itself, for a very short time—a year or so. Wittenberg gave the example of his recruiting team. "Everybody in recruiting thought they were senior recruiters. However, some of the career path work we are doing now is helping people understand and make them feel good that there is a path, there is a plan, and regardless of where you are on it, our job is to help get you up it farther." Across the organization, Box was acclimatizing people to the idea that they should be in a role for about a year before starting to think about their next role. Wittenberg said, "That time frame might have been six months two or three years ago. Two years from now, the time frame might be 18 months."

EVOLUTION OF PERFORMANCE EVALUATIONS

Box started performance evaluations fairly early in its evolution. Andrew Smith said that with the company's rapid growth, it was quite valuable to have people stop and look at their own performance, starting with writing out their own performance evaluations. "Then the company can understand if we're all executing together in the same direction and evaluate if that is the most strategic direction. Those performance evaluations were to measure each individual's performance, but were also done to get on the same page with the things that employees were doing in the past year that were positively or negatively affecting the outcome of the company."

Performance reviews were done annually at first, and as the company grew it went to twice a year. Performance evaluation metrics were traditional. There was a one-to-four rating system, with these general guidelines:

4. Far exceeds expectations (10%)
3. Exceeds expectations (20 - 35%)
2. Achieves expectations (50 - 60%)
1. Does not meet expectations (0 - 10%)

In addition to these evaluations, in 2012 Box started a new process to calibrate performance evaluations across the organization. All managers got together to talk about what great performance meant for their reports. Managers would stay in the room until the discussion turned to their level, at which point they left. Every manager would therefore hear the conversation about his or her direct reports.

ORGANIZATIONAL TRANSFORMATION

As mentioned earlier, a major pivot for the company came in 2007, when Box began shifting from a mostly consumer-facing company to a business and enterprise-facing company. It was a huge product and market shift, and Box had to hire very different people, including a sales team and a direct marketing team, so that drove organizational change. The next pivot for the company was when it began selling to small and medium businesses, and a third pivot began in 2011 when it started gaining traction in enterprise. Smith said he was seeing another management shift with the third pivot, involving the need to hire people who could effectively solve the problems of selling to enterprise:

> You are not going to have someone that has run small businesses go selling into GE, our largest customer. You need people that have done that before and have sold enterprise grade software and have built enterprise grade software in an engineering firm. So that's been the largest driver in our space with the type of people that we have in the organization. The fun part about Box is we still have a consumer product. We still have a small and medium business product, and we still are growing our enterprise. But we haven't removed products. We've just creatively grown the organization with those specific focal points.

BUSINESS IMPERATIVES AND PEOPLE MANAGEMENT

To keep its growth trajectory, Box had to continually find new product markets and additional lines of business. But by 2014 the company was encountering more and more competition. Box was aware that competitors were aggressively coming after its market, and so it was always looking for new markets to disrupt. It also looked for complementary lines of business so it could create new products that complemented its goods and core products. Additionally, it focused on rapid customer acquisition. Andrew Smith explained how this dovetailed into retention:

> We are always asking whether we are continually evolving at a pace where we are maximizing our market potential while creating an environment where people feel ownership and enabling entrepreneurship to go build and fuel further growth. That could mean splitting off and having different product lines or splitting off and having different go-to-market segments or acquiring companies. We hire a lot of what I would consider the type A individuals that want to go a million miles an hour. And we just have to continue to go that fast, and to be operating at an execution level to keep great talent interested and engaged.

And what if the company slowed down? Smith said, "That is what keeps me up at night. How do we not slow down? The good news is if you've met Aaron it's pretty tough to slow down around him. Today we haven't had to address it, but I would say that's obviously one of our key components of long term success."

Box CFO and cofounder Dylan Smith expressed similar sentiments:

> What's the biggest hurdle Box has to overcome to continue growing? When we think about the growth of the company, one of the things we are disproportionately focused on is how do we scale the organization, the culture and all the parts of the operation, given how high our bar is for talent and how quickly we want to grow as we enter different geographies and sell to different types of verticals. It's very challenging to scale that (culture) as you get larger.[9]

Conclusion

At the end of 2014 the issue of developing more formal people management processes was particularly ripe at Box's scale of just over 1,000 people. According to Wittenberg, "Now it is becoming 'How do we get ahead of this a little bit and put more processes in place to support getting what we need done—not for bureaucracy's sake, but to meet our business and culture objectives." 2015 was set to be a big year for Box, and the company wanted to be ready to support its employees across all organizations and functions.

[9] Christopher Calnan, "Box CFO Dishes Details of Expansion," *Austin Business Journal*, November 21, 2014.

Exhibit 1
Worldwide File Synchronization and Sharing Revenue Share by Vendor, 2013

Dropbox	26.7%
Microsoft	16.5%
Box	13.5%
Apple	10.6%
Citrix	6.0%
Hightail	4.2%
Other	22.5%

Total Revenue = $804.8 million

Source: IDC, September 2014.

Exhibit 2
Box Inc. form S-1
December 10, 2014

	Year Ended December 31, 2011	One Month Ended January 31, 2012	Year Ended January 31, 2013	Year Ended January 31, 2014	Nine Months Ended October 31, 2013 (unaudited)	Nine Months Ended October 31, 2014 (unaudited)
	(in thousands, except per share data)					
Consolidated Statements of Operations Data:						
Revenue	$ 21,084	$ 3,376	$ 58,797	$ 124,192	$ 85,363	$ 153,801
Cost of revenue(1)	6,873	850	14,280	25,974	17,640	32,579
Gross profit	14,211	2,526	44,517	98,218	67,723	121,222
Operating expenses:						
Research and development(1)	14,396	1,915	28,996	45,967	32,494	48,415
Sales and marketing(1)	36,189	4,246	99,221	171,188	124,174	152,354
General and administrative(1)	13,480	1,125	25,429	39,843	29,657	41,276
Total operating expenses	64,065	7,286	153,646	256,998	186,325	242,045
Loss from operations	(49,854)	(4,760)	(109,129)	(158,780)	(118,602)	(120,823)
Remeasurement of redeemable convertible preferred stock warrant liability	(356)	(371)	(1,727)	(8,477)	(5,883)	140
Interest income (expense), net	(109)	27	(1,764)	(3,705)	(3,243)	(1,450)
Other income (expense), net	49	(8)	116	(26)	29	41
Loss before provision (benefit) for income taxes	(50,270)	(5,112)	(112,504)	(170,988)	(127,699)	(122,092)
Provision (benefit) for income taxes	1	15	59	(2,431)	(2,514)	(598)
Net loss	(50,271)	(5,127)	(112,563)	(168,557)	(125,185)	(121,494)

Source: United States Security and Exchange Commission.

Exhibit 3
Box Executive Bios (selected)

Aaron Levie
Chief Executive Officer and Cofounder

Aaron Levie is Co-founder and CEO of Box, which he launched in 2005 with co-founder and CFO Dylan Smith. Levie is the visionary behind Box's product and platform strategy, which is focused on incorporating the best of traditional content management with an easy-to-use user experience suited to the way people collaborate and work today. Levie leads the company in its mission to help businesses of all sizes be more productive, competitive and collaborative by connecting people and their most important information.

Aaron studied at the Marshall School of Business at the University of Southern California before leaving to found Box.

Dylan Smith
Chief Financial Officer and Cofounder

Dylan Smith is Co-founder and CFO of Box, where he leads investor relations and all aspects of financial operations. He has been instrumental in Box's growth and development and is responsible for building the company's business and finance infrastructure since starting the company with co-founder Aaron Levie in 2005. Prior to founding Box, Dylan spent his time earning Box's seed funding through various entrepreneurial endeavors.

Dylan received a Bachelor's degree in Economics from Duke University.

Dan Levin
Chief Operating Officer

Dan Levin is Chief Operating Officer at Box where he leads the company's day-to-day business operations, global employee growth, and helps drive customer and partner interactions. Prior to Box, Dan spent over six years at Intuit in a variety of roles including Senior Vice President and General Manager of the Small Business Group, Vice President and General Manager of the Quicken Health Group. Previously, Dan spent 13 years in venture-backed start-ups, including ReplayTV, which was acquired by Sonic Blue, GuestConnect, which was acquired by 4th Network, and Books That Work, which was acquired by Sierra On-Line.

Dan received a Bachelor's degree in Applications of Computer Graphics to Statistical Data Analysis from Princeton University.

Andrew Smith
Director of Global Sales Strategy

Andrew Smith is the head of Global Sales Strategy at Box, where he develops cross-functional go-to-market strategy to new business, customer success and retention. Since joining Box in 2008, he launched the company's commercial sales team and enterprise sales team, and he opened the international headquarters in London, U.K. Prior to working at Box, Andrew began his career in banking, financing equity and debt to early-stage technology & life-science companies.

He received a Bachelor's degree in Economics from Lehigh University in Bethlehem, PA.

Evan Wittenberg
Senior Vice President of People

As Chief People Officer at Box, Evan Wittenberg leads a team that finds, develops and retains the company's world-class talent. Prior to joining Box, he was HP's Chief Talent Officer, responsible for a global work force of 350,000 employees, and created and ran the Global Leadership Development function at Google. Previously, Evan was the Director of the Graduate Leadership Program at the Wharton School, University of Pennsylvania, and taught the core course in Leadership and Teamwork.

He earned his MBA from Wharton and BA from Swarthmore.

Kenny Mendes
Director of Recruiting

Kenny Mendes is the Director of Recruiting at Box. He joined box in 2009 when the company had 40 employees. In his time at Box, Kenny built the recruiting team and its processes from scratch and played an instrumental role in building Box into a company known for its talented workforce and exceptional culture. Prior to helping Box scale to over 1,000 employees, Kenny was a Senior Associate at Riviera Partners, a San Francisco-based technical recruiting agency.

He attended the University of California at Berkeley, earning a Bachelor's degree in Economics.

Source: Box.