Chuck Davis On…
Insights From a Storied 30-Year Career as a Leading CEO and E-Commerce Pioneer

Steve Sanduski: Hello everybody and welcome to another episode of On Your Mark, Get Set, Grow. I'm your host, Steve Sanduski, and joining me today is Chuck Davis. Chuck, welcome to the show.

Chuck Davis: Thank you for having me, Steve.

Steve Sanduski: Chuck, we're thrilled to have you on the show. You have an incredible career here. I just want to go through the list of some of the things you've accomplished in your storied career. You started out, you got an MBA from Harvard. You spent time in consumer marketing at TV Guide, Sports Illustrated, Life, and Time Magazine. You were President of E-commerce for Walt Disney's internet group. You let e-commerce giants including Fandango and Shopzilla. You're also an entrepreneur in residence at Harvard Business School. You're the immediate past International President of YPO. You're a partner at a venture capital firm. You're also Chairman and CEO of Swagbucks.com. That's amazing. I guess my first question is how do you find the time to do all of those things?

Chuck Davis: First off, it takes many years to get all of that going on. You make it seem like it's a lot that was handled. I don't know if it's a good thing or a bad thing, but it's been a good 30 years. I've been in the internet now for, this is my 20th year. Just being around the block you can get a lot done.

Steve Sanduski: Yeah. You definitely were really early on at the internet and led some of the top, fast-growing companies in that industry. Really want to start out here and just ask you, with all the things you've accomplished, all the companies you've led, what are some of the key lessons that you've learned over the years in building a fast-growth company?

Chuck Davis: First off, when I came up through the working ranks in my 20s, I learned from bigger companies that were on good growth tracks. I didn't know the internet was going to be created. Those of us who were around, it was a new industry. It just showed up. There were no employees in the internet. I happened to be a direct marketing guy. I happened to work for a good company, Time Inc., that was growing and people liked magazines. They didn't have the internet. ESPN was small at the time. There were a lot of things that hadn't really come to fruition yet. When they were looking for people in the internet, I was at TV Guide, which was the biggest magazine in the country at the time with 14 million people buying copies each week. They said, "Look, someone that is going to get eyeballs to a product like this, probably can get eyeballs to my website." I was a good gamble in a new industry that had no employees. That's how I ended up there.

What have I learned from being around growth companies? First, if you come in early, everything's growth or you go out of business because there's no base. That was pretty easy. What I would also say is you've got to take a look with the Peter Lynch theory. Peter Lynch was the Magellan mutual fund manager for a couple decades. That was the biggest mutual fund in the country at the time. He always had a theory that you had to go to where the consumer went. What were they buying in the supermarket? What were they experiencing? Where were they spending their time? I believe that too in the internet. Where do people like to go? How is the experience? How can that experience be bettered? When you put all that together, you end up riding a wave as all boats rise as the tide goes up. You grow a business that consumers want.

With Fandango, they wanted to go to the movies. Before the internet, you had to just stand in line at a theater. Now you can be out at dinner and with a mobile phone you can see what's playing and let's just get our ticket right now. With Shopzilla it's, "I want to buy something. I don't want to go and try to find a parking space and go to a mall. I want to buy anything I want to buy. I want to find it online. I want to get a good, fair price from a good merchant. Where can I go online to find this?" BizRate, which changed its name to Shopzilla, was that site.

We are now at today, I'm running Swagbucks. I've been here a little more than a year. Swagbucks has given out 100 million dollars in free gift cards to consumers. That shouldn't be so earth-shattering. What is earth-shattering is that we're uniquely positioned as a company to give back to consumers. The consumers can go online and shop and search and share their opinions through surveys and watch short-form video, all of this on our site. I take a percentage of my revenue and I give it back to the consumers so they can cash in free gift cards at Amazon or PayPal, Wal-Mart, or Target and 100 other merchants. It's not that complicated a process. What it is, is thinking about the consumer first. That's what I've tried to do in every company I've been in.

Steve Sanduski: Okay. As you think about the technology as well ... You got started, basically we had the Mosaic browser back in the mid-1990's. Of course, we've come a long way since then. How do you, as a leader of these companies, stay up with the technology? How do you decide, "Well, this is the technology we need to implement versus this might be a flash in the pan thing. It might be on the bleeding edge and we don't want to be on the bleeding edge. We might want to be on the leading edge." How do you, as the leader, decide what technology you're going to implement and how quickly you do that? I know things obviously move extremely fast in the technology space and people that hesitate a little bit could get left behind. How do you do that as a leader?

Chuck Davis: First off, you don't want to be the first into anything on the technology front in case that technology doesn't work. I know there are a lot of people that want to be first and be a first-mover, but the risks are higher. So are the rewards. What I try and do, and I try to do this as a consumer also, not just as a CEO, is to be in the neighborhood of this new technology and start learning it to figure out is this something we should be preparing for? When the Apple Watch came out in the spring of this year, I got up at 3:00AM and went on the pre-order to make sure that I got one of the first ones. I wear that everyday and that's important for me to find out how it works, how it communicates, how will we at Swagbucks start communicating, at some point, through the watch, and what will those communications be. Several of us here are studying that to figure out when to jump in.

When I was at Fandango, we were one of the first 4 apps on the first iPhone. Steve Jobs was at MacWorld in 2007. He stood up and showed everyone this new phone and how he was going to buy movie tickets on it. It wasn't even called an app yet. He didn't have an app store for another year. That was early. That was first-mover in that case. It worked well. A few years later, he came up with an iPad. One's initial gut might have been, "Well, who's going to want a tablet?" Instead of just treating it that way, I made sure I got one. I studied it and used it and we were very thoughtful. At the time, Fandango came up with one of the best apps out there to engage the consumer and not just be a transactional place to go, but this is a fun place to go.

Same thing in all these companies I go to. We try and look at the technology and figure out how will the consumer use it and then should we be in that neighborhood or not. If so, we jump in fully.

Steve Sanduski: Okay. It sounds like you're also paying close attention to what horses you want to ride here, so to speak. You mentioned Apple a couple of times. Obviously, a well-established brand that if they're coming out with something new, that's something you want to pay particularly close attention to because they have the ability to create whole new markets.

Chuck Davis: I think there are a lot of good names that are out there and it would be wrong for me to bias any one over another. Obviously when Google comes out with something or Facebook, or LinkedIn, these are important products that connect people. I think it's also important to note that a hundred years ago when you look at the Fortune 500, something like 1, or 2, or 3 of those companies are still around a hundred years later in the Fortune 500. These are good brands. These brands might not have been around 30, 40 years ago. I think Apple was the first of that lot we just talked about, but most of those other brands are 15 years old maybe.

We just need to be flexible as the landscape of companies and technologies is changing so rapidly that this industry is not one for people who don't like change. One has to be flexible. One has to be very cognizant of moving pieces around. To your earlier question, you do need to pick which ones are going to be in the medium-term future playing an active role with consumers.

Yes, Apple has done a great job in building a great company around that consumer experience so when they come up with something that may or may not be relevant today, you've got to think real hard is it going to be really relevant tomorrow. That I might have been a naysayer on the first phone without a keyboard and now I can't live without it. I might have been a naysayer on the tablet and now I can't live without it. That's why I woke up at 3:00AM to get a watch. Why would I want to risk getting burned again? I have found that that company in particular is very consumer-focused and therefore I'm going to trust that now and not wait to figure out how it will change my life. I want to be there on that first wave.

Steve Sanduski: Yeah, you mentioned this idea of people have to be willing to change and open to change. I think also the fact that there are a lot of people and a lot of companies out there that are not willing to make changes, that they like the status quo. It's because of that that it creates a lot of opportunities for these smaller, nimble firms to come in and they create some disruption there because they know some of these other companies just aren't willing to move fast enough it. I think that's one reason for some opportunities.

In your experience, as International President of YPO, you’ve come across hundreds if not thousands of different companies in your career. You see what works. You see what doesn't work. What are some of the things that you've found that typically hold companies back from breakthrough growth.

Chuck Davis: That's a good question and it follows on your last statement about change. It's very simple in life not to change. It's easier. You know the routine. You know the people. You know your products. It's comfortable, but Pete Rose had a saying after his many storied years in playing baseball as an all-star. He said, "You die a little everyday. You've got to work a little harder everyday to make sure you don't slow down." I would encourage all of us to make sure that we try and defy those odds and not slow down. That means we need to be open for change because even though it's more comfortable to live in the exact same way we have been living, that is not a good longer-term formula. We need to adapt and we need to progress with technologies, with getting out of our mindset that the way we do it is right, and we need to just keep being flexible.

I would say I did as the YPO International Chairman in 2012-2013 visit 31 countries to meet with CEOs. The organization has 23,000 CEOs in a 130 countries. Obviously you can't go to all of them. I was in between Fandango and Swagbucks at that time, so it gave me a break to focus on leaders who were running companies around the world. These leaders are broken into three different categories: family-businesses, entrepreneurial businesses, and hired guns. It's interesting because all three are very different. All three have different challenges. The hired gun is worried about where he's got to be in his next meeting because he's so highly scheduled and he has been his whole life. The entrepreneur is just creating something new every day and is hoping for change. He is looking for change everyday. The family business guy has his or her own set of challenges because he's been told, "This is how we've done business in the family," and he wants to put his own imprint on it and maybe start changing or doing some changes. It's a lot harder because there are other emotional and family business relationships that also weigh in to how he or she operates and leads.

Steve Sanduski: Well, Chuck, some of the folks listening to this conversation here are running companies that are facing challenges. In your experience, what are some general thoughts that you have for folks that are running businesses that maybe it's a turn-around situation or something has caused them to have a real problem right here? Are there any things that you typically recommend or that you've done in the past to help turn around a company?

Chuck Davis: First off, all companies should have challenges. If they don't, then management isn't doing something right. There are opportunities and there are challenges. There always should be a way to better where one is for the short and the longer-term. They tend not to always go together, the short and the long-term type things.

One of the things I look at in companies is how would you grade yourself? How would you grade your team? It's a hard process because it's an emotional process. It's not just a business process. People have families and you get to know them over time, but I have this thing that A's beget A's and B's beget C's. In other words, if you've got a leader who thinks they're an A, but they're actually operating at a B-level, then they don't recognize that they've just hired a C person. If that happens, then your organization has more problems in the future than more solutions.

You have to work real hard if you're in one of these turn-around businesses to also make sure you have the right people on deck. Do you have the right people who are helping you through this crisis, because when you go through these transformational changes and problems that are going on with the business, you're going to have to make changes anyway so you better figure out do you have the right people on board. If not, that doesn't mean that they have to go. That might mean that someone who's a B needs a coach to pull them up to an A-minus and you've got to find a way to quietly get that person to a better place because your company is going to perform at the level of its lowest common denominator. You are a team. The team has to perform at a high level. If you settle for a standard that isn't high enough then your results usually won't be high enough. Then you usually get into a position where change has to happen because something isn't going right.

Is that helpful?

Steve Sanduski: It does. Along those lines, you talk about having the right people and the right positions within the company. What are some of the things that you do and have done when you're hiring other top-level executives for the organization? What are some things that you look for in those people that you know, "Hey, if they have these characteristics or these qualities, they're likely going to be successful"? Are there any thoughts that you can share along those lines in terms of how do you hire great people?

Chuck Davis: First off, I think it's important to see was there a track record somewhere. I remember in one of my roles, one of my leading direct reports wanted to hire someone. I looked at his resume and I questioned, "Is this really the right guy?" My direct report said, "Certainly he is. He's worked at all the right places. He's had all the right skills and positions that we need for our role here." I said, "But have you looked at his tenure?" When you looked at it, the guy had about 6 jobs and each of them lasted up to a year and a half.

I find that going into a company is sort of like playing in a sports match or a football game. In the 1st quarter of your tenure, you're meeting the people, learning how to work with them, learning what they've learned, trying to get lay of the land, what they want you to do, learning the culture. The 2nd quarter you're implementing and starting take risks and figure out to invest here and not invest here and change how we do things. The 3rd quarter you're starting to scale those businesses because you've not figured out where to place more bets and where to place less bets. The 4th you're having fun while enjoying the hockey stick and seeing the business go far north. The problem is if someone hasn't been somewhere long and they have a history of this, then they never got to see the fruits of making bets and did those bets work.

The word gets out on people. These people are stars. This person has been a problem. These people are good. Those are three different levels. Is it someone who's an over-achiever? Is it someone who's an under-achiever? Is it someone who meets par and would be good, but maybe not great? I've had lots of people tell me, "He's a good person. This is a good person to hire." Then I find out, yeah, he was good, he wasn't great. There's a big difference from good to great. I think how one hires dictates how one's company's performance will end up going. I happen to be in a lucky place where I've got a good mix of people who've worked with me in several companies before and people who are working with me at Swagbucks for the first time. That mix is very important that there are new younger people who are willing to take more risks. There are others who have more measured risks because they've gone through this a few times before and they know how to work with me and each other. Getting that right mix I think is also very important.

Steve Sanduski: Chuck, you've given us some good thoughts here on how you go about hiring people. What about just making decisions in general? Do you have any kind of process when you have to make a major, meaningful decision for the organization? Is there any process that you go through that helps you make those big decisions?

Chuck Davis: There is. It's probably good for everyone in life. That is, the biggest decisions you should sleep on. The biggest decisions, take an extra day or two and make sure that you get it right. It's not just that the decision is right, the implementation of the decision is right. That when you execute it, you have the right communication strategy, you say the right thing to the right people, you are able to pre-sell and pre-communicate to those important people who are affected by whatever change you're about to do. All too often I see in business that big decisions are made too quickly. Therefore, they aren't executed properly and then there's a mop-up to fix it.

I like to take a little extra time, not to make the decision, but to think through the ripple effects of that decision and how, will, and should it be handled. We had one of these here recently where we looked at an acquisition at Swagbucks and I just wanted to be very thoughtful about how we did it. I think this goes on in every company I've been in. There's always someone who's going to say, "Let's do this. Why is it taking so long?" It is the role of the CEO especially to think through all the ripple effects and how it should happen because the communication is something that a lot of us don't do well. We might have the right strategies, but we might not communicate them well. Having a little extra time on a big decision is a good thing.

One other thing about these big decisions. I've tried to run companies where we're looking more internally and less externally when big decisions have to happen. For instance, if the stock market has a major drop in one day, it shouldn't affect most of who you run your business. Similarly it shouldn't on a big day where it goes up. There are a lot of businesses that have inflated stock prices and in the private markets especially. They get focused on the wrong elements. Actually, the best learning that happens is when you're in trouble, is when you have to cut.

At BizRate, we raised $50 million and spent $49 million of it until we figured out what our business was. When we did, it was a great business, but the board had told me, "Cut half your people." This is after the bubble burst in 2000. I go, "Which half should I cut?" That's a complicated thing. Yes, on paper it looks smart. Cut your burn rate and cut half the people, but if you end up cutting the wrong half, you might as well refund all the money to the investors right now. Half is a big deal. I went through the painful process with my senior team of having 5 layoffs over 16 months.

Every time we peeled the onion, we found new stars and we found new people that still would have stock options in the company, but won't be around for the next period. By going through a very thoughtful process of how to do this, we were able to turn that company into a very large one from being thoughtful about how it was done, how it was communicated, and how it was executed. That a board of directors doesn't always have the right answer. Yeah, cut half is a knee-jerk, but how about 5 times 10%. Would you support that? Not many boards would, but because we did, we were able to create a great company. Yes, we almost used up all our cash, but that's the one thing you want to make sure you don't do. Don't use up all your cash, and we didn't. We ran it close and then it hockey-sticked and took off.

Steve Sanduski: It sounds like that may have been a make or break moment in your career. It was a big decision you had to make. Are there any other what I'll call make or break moments in your long career that you look back and say, "Yeah, that was a pivotal time," or that was a pivotal decision that you made that either turned out well or didn't turn out well? What did you learn from that that might be beneficial for our listeners?

Chuck Davis: There are always going to be these big pivotal moments. Sometimes you know they are pivotal. Other times in retrospect you look back on it and sometimes you don't know how big a decision is when it's happening. Obviously if it's an operational one that has cash flow impacts, those certainly take priority, but as I said earlier, communicating the right strategy is still very important. No one feels good when you have a lay-off. You need to figure out not just how to handle the people who aren't there, but those who are left who have ties with them. It's very important to figure this out.

I remember in our BizRate days we would invite back the shareholders who got options from the company and might have not made it through all the rounds of lay-offs, but they still came back. We'd have a party or two and we'd have them back and a bunch would come because we were all in it together. We've had a couple pivotal moments in my tenure – for instance, who to sell a company to. You get an offer and you have to decide are you going to, after negotiating, accept that offer or not. We've done that a few times.

I can tell you at Fandango, we sold that company to Comcast and it ended up being a fabulous marriage, but that was a thoughtful, pivotal moment because Comcast was running commercials at the time, "You never have to leave home. We have all your entertainment options right here at home." Fandango was about leaving home and going to the movies. That was a pivotal decision right there, not just to sell, but is it the right partner? They ended up being the right partner and they pulled all those commercials off the air. They said, "We hear you. We will help you with that."

Steve Sanduski: Chuck, as you look back over your career, you have the benefit of hindsight now, everything that you've learned over all your years, if you were to start all over again in business, what would you do?

Chuck Davis: That's a hard one. I tend to look forward more than I do backward. I feel a little like a baby floating down the Nile. Let's just see where I get scooped up. You need to watch and see how the tea leaves change along the way. For me, and I would not say this is something I would promote to my own kids, but for me, in my era growing up, I started in big companies and I took those as experiences to get an MBA in best practices, best technical practices. How to be a great marketer, how to build a great brand, how to communicate the great brand, how to maintain growth, how to maintain profitability. After doing this at three big companies, Time Warner, News Corp, and Disney, I then said, "I know enough now to lend a lot of this expertise in smaller companies, entrepreneurial companies, start-up companies." That has been my last 20 years after let's say 10-15 years in bigger companies.

Today's young people however have so many more choices in front of them. It is such a digital revolution that is going to invade, if it hasn't already, every business that we have. Therefore, the opportunities for this more tech-centric, younger generation coming up are very bright. The thing we have to keep an eye out on though is there are more lower-level, tech-centric, entry and above-entry-level roles, and it is going to be harder to break out from that pack and show added value to make a bigger difference over these young people's careers.

That's why I went to big companies, to kind of get a big MBA-like experience so I could lend other experiences as I went through my business career. I would hope that there's some learning in that. How can I learn from my boss? How can I learn from my company that I am now in? I can't remember how many bosses I had at 15-16 or whatever in life. A third of them were really great. A third of them were good. Maybe less than a third were not good.

How do you reconcile that? If you have a not good boss, you should be learning what not to do when it is time for you to have managerial experience. I will not exhibit this behavior because I didn't like it when someone did it to me. Similarly, you should take all the good experiences and start embodying that in your own persona and the way you manage. It becomes a composite. You end up becoming a composite of the good sides of all your bosses. I would just encourage younger people starting today to take that mantra and try and embody all of those good experiences so that they go through a very fruitful experience, not just for them, but for people around them through their careers.

Steve Sanduski: I think that's a good piece of advice where you said right here at the end about even if you have a bad boss or a bad colleague, you can still absolutely learn from them. You can learn what you don't want to do when you're in a different position there. We're always learning. There's always opportunities to learn in just about any situation.

Chuck, as we get ready here to wrap up, what would you say is the best advice that you've ever received? I know that's kind of an open, broad question so I'll keep it broad and see what your thoughts are.

Chuck Davis: Well, respect is probably one of them. First you get it at home. I think there's less of this around nowadays, but I remember from my parents and from others around when I grew up, to respect your elders. There was a lot more respect I remember a generation ago. The same applies in business. Learn from the people who have tenure. Maybe they're not the most dynamic people, maybe they're not the future of the company you're in, but respect. Respect, incidentally, your own peers because you're going to be in business for 30 plus years and if you are, the person sitting next to you who you're not respecting right now might be your boss in your next company or two companies from now. When you move on to different companies, so do they. The word gets out, is this a good person who we should hire, or not?

I would really sum all of this up with respect. Respect everyone you're with and treat them the way you would want to be treated. Frankly, what goes around comes around, so you do want that. I've been very fortunate. I have people who I'm close with and I've seen over the years in many companies. Maybe they skip a company here or there, but I think I've got a dozen people or so who have been with me at another company or two along the way. That's not a silver bullet to make whatever company I'm in successful. It's more a confirmation or an affirmation that there's something good going on and I want to be part of that karma again. I would encourage people to try and build that. Try and build good karma around where they work so the people are saying, "That is a great person. I would love to work with him or her again if they were to come into our company." I hope that's helpful, Steve.

Steve Sanduski: I think that's fantastic. I think that's a great way to wrap up our show today. Chuck, I really appreciate you being on. You've given us some great advice. You just have phenomenal experience. I appreciate you being able to take some time and share that with all of our listeners. Thank you and we look forward to watching you in your continued endeavors throughout the years.

Chuck Davis: Thank you very much, Steve. I enjoyed it.

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