

Picture this: A CEO who tells it like it is

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One mark of leadership is the ability to tell powerful people who control your fate something they don't want to hear.

In 2004, Jeffrey Housenbold was just named president and chief executive of **Shutterfly Inc.** with a clear assignment: Take the Internet-based digital photo finishing company public within three months.

But after closely evaluating Shutterfly's management, resources and market position, Housenbold concluded that would be folly. "I went into the board meeting, and said I know you've just hired me to take the company public. We have a foundation for a great company, but we're not ready," he recalled.

Housenbold came to that conclusion after summoning 30 top Shutterfly managers and advisers to an off-site retreat, where he listened intently. It is a hallmark of Housenbold's management style, which emphasizes direct, honest communication.

At the retreat, the group hashed out the vision that has guided Shutterfly's successful transformation from dot-com survivor with little brand differentiation into the purveyor of multiple products built around digital photography.

Christopher Chute, research manager at IDC in Framingham, Mass., said Housenbold demonstrates a level of business sophistication typically not found among chief executives of companies of Shutterfly's size (\$123.3 million in revenue in 2006). "He's very data-driven, meaning he looks at projects based on real analysis," Chute said.

While pulling back on its plans to go public, Housenbold persuaded the board to back a plan that included healthy investments in manpower, research and development. Since 2005, Shutterfly has added nearly 300 people, and opened a new 100,000-square-foot manufacturing facility in North Carolina to complement the plant it already had in the Bay Area. It has expanded into new products, such as greeting cards, photo books and high-end personalized gifts.

Shutterfly went public in September 2006, two years after Housenbold pulled the plug on the previous IPO. By then it was more than ready: Shutterfly has turned into a Wall Street up-and-comer, its stock hit the market at \$15 and has doubled since. Analysts forecast a \$60 million increase in revenue to \$180 million for 2007 and a similar increase next year.

With a Harvard MBA, and a résumé listing Ebay and AltaVista, Housenbold is firmly part of the tech elite. But few know that the 38-year-old grew up in near poverty in Brooklyn, N.Y.,

at times surviving on welfare and food stamps. "As a child, it was a source of embarrassment. But as I got older, it became a source of strength," he said.

At Shutterfly, Housenbold has built a corporate culture to lead it forward. "The key is communicate, communicate, communicate," he said. Once a month, he encourages staffers to sign up for "Breakfast with the CEO" meeting; he regularly holds quarterly meetings with the total staff to discuss strategy, competitive threats and to solicit their thoughts on diverse topics. This approach has helped build an esprit de corps: Shutterfly's employee turnover rate is around 10 percent, half Silicon Valley norms. "You need to get out of their way (his managers) and act more as a mentor-coach than a boss," Housenbold said.

Housenbold believes creating a culture is key: "It's easy to not pay attention to culture when you're growing so quickly and you're successful, but that's exactly the time when you want to focus and get it in place, so it gets into the DNA of the organization," he said. "If you don't have a great culture built in the good times, when things slow down, or hit a speed bump, it's really hard to retain people."