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TECHNOLOGY

His Startup Is Now Worth $62 Billion. It Gave Away Its First Product for Free.

As CEO of Databricks, Ali Ghodsi has performed a series of 'strategic surgeries' to make his company one of the fastest-growing startups in Silicon Valley

By Berber Jin Follow *and Tom Dotan* Follow

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Databricks CEO Ali Ghodsi PHOTO: WEBER SHIH FOR WSJ

When he was in college in Sweden, Ali Ghodsi read an article about a chief executive who was hired to save a struggling tech company. It reminded him of the surgeries his parents, both doctors, performed while he was growing up.

"I loved the fact that you could think about large corporations as patients, and you could perform surgery on them to make them super healthy and successful," he said.

Ghodsi is now CEO of a software company called Databricks, which has quietly become one of the fastest-growing startups in Silicon Valley. The 11-year-old company is now valued at $62 billion after securing $10 billion from investors including Andreessen Horowitz and Thrive Capital. The new funding, announced Tuesday, is among the largest in the history of venture capital.

Ghodsi has gotten Databricks to this point thanks to the “strategic surgeries” he said he’s performed to keep the company healthy. After taking the reins in 2016, he grew sales by charging more for software that the company had originally given away for free. Two years ago, when investors demanded efficiency, he slowed hiring and had his engineers build an AI bot called R2-D2 to boost productivity.

Today, data scientists at some of America’s largest companies use Databricks’ software to analyze the large volumes of information they collect—a tool that’s become even more valuable with the rise of artificial intelligence. Walgreens, for example, uses Databricks to help forecast inventory for filling prescriptions, while Rivian uses it to improve the battery life of its electric trucks.

Immigrant drive

Ghodsi was born in Tehran in 1978 on the eve of the Iranian Revolution. Five years later, after his parents became political targets, the family fled to Stockholm, where they initially lived in student dormitories.

He began coding on his home computer in fourth grade and started a business where he charged his classmates to fix their broken computers.

Ghodsi enrolled at a local university called Mid-Sweden University with plans to study computer science. On his first day, his roommate, a business student, joked that he would one day become Ghodsi’s boss. Ghodsi enrolled in a class his roommate was taking and added a second major in business.

While in college, Ghodsi started a consulting firm that built a scheduling system for a local city government, he said.

In 2009, after completing a Ph.D. in computer science, Ghodsi moved to the U.S. as a visiting scholar at the University of California, Berkeley. A year later, while working at AMPLab, a data-analytics lab affiliated with the university, he and six other researchers developed a new piece of code called Spark.

Spark became an instant hit among data scientists for its ability to analyze messy data sets at record speed—at one point setting a world record for sorting through 100 terabytes of data in 23 minutes, beating the old record by over 40 minutes. The seven researchers decided to build a business around it called Databricks.

They asked Ben Horowitz, co-founder of Andreessen Horowitz, for $200,000 to help launch the business. Horowitz encouraged them to think bigger, writing an $11 million check on behalf of his venture-capital firm.

Ben Horowitz of Andreessen Horowitz. The co-founders of Databricks asked his firm for a $200,000 investment. Horowitz wrote them a check for $11 million instead. PHOTO: JOE BUGLEWICZ/BLOOMBERG NEWS

At first, Ghodsi was unsure whether he wanted to become a full-time tech executive. He worked part time at Databricks, where the first CEO was fellow Berkeley computer scientist Ion Stoica. In the fall of 2015, Ghodsi applied to become a computer-science professor at the university.

Then came a call from Horowitz. He asked Ghodsi to become CEO.

In January 2016, Ghodsi succeeded Stoica, who returned to academia. At the time, Databricks charged for a more user-friendly version of Spark but was struggling to find large customers who would pay for it. Many were still downloading the software for free off the internet.

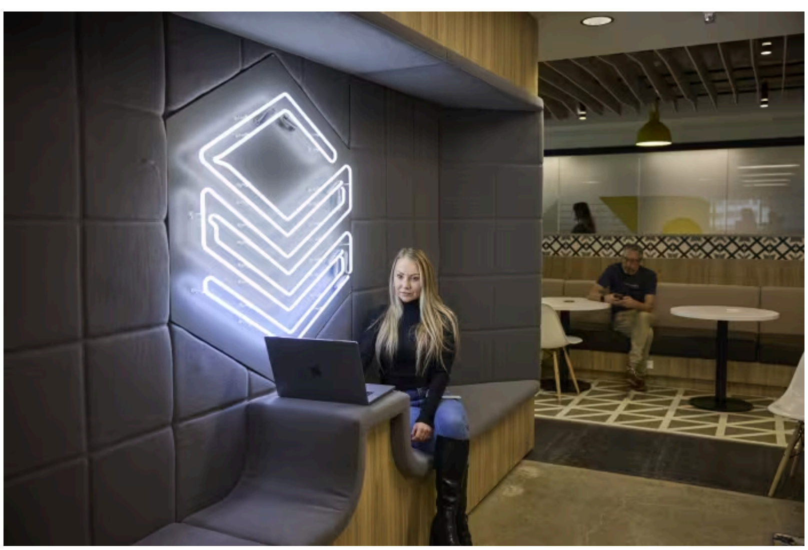
The challenge became clear when a potential customer asked Ghodsi and another co-founder for a selfie before a meeting. When the pair later asked whether he would be willing to pay $10,000 for the software, the customer scoffed. “Why would we ever pay $10,000?” he said. “I’m just going to get it for free.”

Under Ghodsi, Databricks added new features to Spark that were only available to the startup’s paying customers. He then hired hundreds of salespeople to sell it to companies, targeting business giants like Capital One and JPMorgan.

Ghodsi also replaced the executive team and began sharing his board presentations with the startup’s 250 employees—a decision inspired by a business case study he had read in college describing how factory workers performed better when they shared the same goals as their bosses.

In 2016, Horowitz brokered an introduction for Ghodsi to Microsoft CEO Satya Nadella, hoping to strike a deal to integrate Databricks with the tech giant’s Azure cloud-computing platform. Before they were set to announce the deal, some executives inside Microsoft got cold feet about the quality of the young startup’s software. Ghodsi recalled flying to Microsoft’s Redmond, Wash., headquarters and fielding their questions for two hours until they got on board.

Microsoft signed the deal in 2017 and committed to generate $100 million in sales for Databricks.



The Databricks office in San Francisco. PHOTO: WEBER SHIH FOR WSJ

A few years later, Ghodsi led a crucial push to expand the company’s business. Spark focused on analyzing enormous data sets like server logs, but he wanted to combine that with more organized data stored in tables like sales information. That was a much larger market featuring rising software companies like Bozeman, Mont.-based Snowflake.

Customers said the resulting product saved them hundreds of hours they'd previously spent working across different data formats to gain insights from them. Sales grew even as many companies cut back on software spending during the postpandemic tech downturn.

"You can pry it out of my dead cold fingers," Dan DeMeyere, chief product and technology officer at the online clothing reseller ThredUp, said of his engineers' loyalty to Databricks.

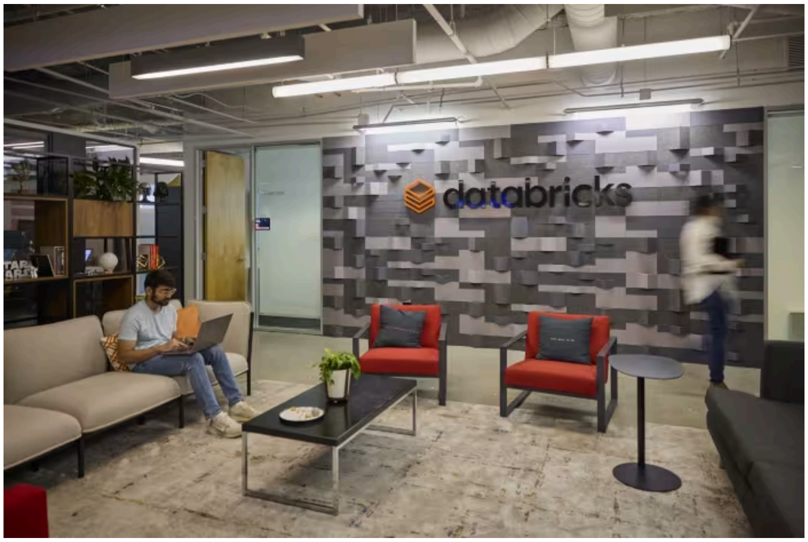
Another surgery

In 2022, Ghodsi realized Databricks had grown too bloated and needed another surgery. Nearly a decade after its founding, his startup was doubling the number of new hires each year and losing money, but his investors were now demanding efficiency.

At an annual company off-site held at the Venetian Hotel in Las Vegas in February 2023, Ghodsi told his roughly 5,000 employees that he wanted to make the startup profitable within three years. He had his Chief Financial Officer Dave Conte share a giant chart tracking progress toward this goal. The chart became so widely referenced among employees that it even got its own nickname—the Conte Curve.

Ghodsi began personally approving all new hires while offshoring jobs to countries with cheaper labor such as Costa Rica and India. The company holiday party was cut, as was its annual companywide off-site. And the startup's engineers began building AI-powered bots—including one named after R2-D2 from Star Wars—to automate internal tasks.

Unlike most big tech companies trying to economize around the same time, though, Databricks didn't lay off workers.



Databricks is cashing out early employees through the private funding round announced Tuesday.
PHOTO: WEBER SHIH FOR WSJ

Since unveiling the Conte Curve, Databricks more than doubled revenue to $2.6 billion while halving its negative operating margin, according to financial documents viewed by The Wall Street Journal.

At the same time, Ghodsi went on a dealmaking spree to try to position Databricks for a new spurt of growth.

In the summer of 2023, he called Naveen Rao after learning that Rao was fundraising for his two-year-old AI startup, MosaicML. Ghodsi offered to buy his company for $1.3 billion instead. Databricks customers now use Mosaic to build AI models that can predict spending habits or determine which promotions to offer their clients.

In the spring, he caught wind that Tabular, a popular data-management startup that was catching on with businesses, was in talks to sell itself to Snowflake. Ghodsi won the deal by offering the startup roughly $2 billion—more than triple what Snowflake proposed, according to people familiar with the deal.

Soon after, Ghodsi began debating whether or not to take Databricks public by the summer of 2025. Instead, he chose to raise another private funding round. The company intends to use some of the new cash to buy out employee shares and the taxes associated with them.

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Databricks CEO Ali Ghodsi has been on a dealmaking spree. PHOTO: DATABRICKS/REUTERS

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