

Masters of Scale Episode Transcript: Barry Diller (Part Two)

BARRY DILLER: I've now been running movie companies for 18 years, and if I never saw another script, I'd be a happy person.

REID HOFFMAN: That's Barry Diller, Former CEO of Paramount Pictures, founder of Fox Broadcasting, creator of the first TV movies and miniseries. At the height of his career, when another executive would be riding high on their success, he was bored. Not just with his job — but the entire business of storytelling.

And this is a startling twist. Barry saying, "I'm done with scripts" is like my friend Elon Musk saying, "I'm done with electric cars."

In his boredom, Barry was searching for a new idea. Any new idea. Anything other than he what he had been doing for the past 18 years.

DILLER: I had quit, and said, "I don't know what I'm going to do, but I'm going to drive around the country." To basically stop having meetings with people who wanted me to do the same old thing.

HOFFMAN: So Barry literally hit the road in search of a new career. And that's how he ended up here:

MAN'S VOICE: Have you ever wanted to listen to the radio...in the shower? Well now you can!

WOMAN'S VOICE: Ever wonder if your babysitter's actually feeding vegetables to those kids?

MAN'S VOICE: Constantly.

WOMAN'S VOICE: It's the teddy bear nanny-cam!

MAN'S VOICE: Fantastic.

WOMAN'S VOICE: We have one at home and we love it.

MAN'S VOICE: Call now.

HOFFMAN: Yes, it's QVC. That's right, QVC — you know, the home shopping network where you can hop on the phone to buy a handbag or a Sterling Silver necklace — but for a limited time only.

MAN'S VOICE: Act now, 'cause they're going fast.

DILLER: What happened was that my wife, who's a fashion designer—Diane von Furstenberg—she had gone to this new thing called QVC. And she said to me that I must go see it.

HOFFMAN: Barry wasn't exactly captivated. But he was curious.

DILLER: And so I went to QVC, and I saw something that I had never seen before. It was this early convergence of telephones, televisions, and computers. But the most important thing was, I had only known about screens to tell stories. Here, I saw a screen that was interactive.

That screen was used for purposes other than narrative, and that was — wow! That whacked me.

HOFFMAN: This is what amazes me about Barry. He's imagining an age of interactive content back in 1992, when the internet barely existed. No one could even begin to imagine the kinds of content that would emerge as people learn to interact through their screen. And his lack of knowledge — in fact, his complete confusion — is what sold him on it.

DILLER: Can you imagine how exciting it is to go from — I mean, a lot of other people understand narrative and screens, but God knows I did—to go into, "Huh?"

HOFFMAN: Yes. Well, it's the blank page, right?.

DILLER: Absolutely.

HOFFMAN: Right. A new blank page.

DILLER: Oh my god—the blankest of blank page.

HOFFMAN: The blankest of blank pages may not sound like much of a plan — but if you've heard last week's episode, you'll understand why Barry latched onto it. Barry is what I call an "infinite learner." If he isn't learning on the job, he simply can't do his job. Listen to last week's episode to get a sense of the radically new ideas he scaled across the entertainment industry.

I know plenty of entrepreneurs who are veritable mountaineers when it comes to climbing a steep new learning curve. But Barry is in a class of his own. He doesn't just learn fast. He knows how to unlearn. And that's an essential skill for a career as varied as his. If you want to be a serial entrepreneur, you have to learn how to unlearn.

[THEME MUSIC]

I'm Reid Hoffman, co-founder of LinkedIn, investor at Greylock and your host. And I believe the essential skill set of a serial entrepreneur comes down to a simple habit: You have to learn to unlearn.

People tend to take pleasure in their mastery of a given field. They go, "I've learned this, and now this is what will differentiate me from other people for all time."

One of the things that I tell people is that success imprints more strongly than failure. And it does so because as you've succeeded, it's like, I've learned this tool. And so, this tool must be right. And so, I just keep applying it, and even as the train comes off the tracks, because part of what happens is, you know, markets change, competitors change, industries change. You change.

And so, frequently, you have to go, "Okay, which of the old lessons have to be thrown out? And which things do I have to unlearn or learn anew?" To unlearn, you have to let go of what you thought was true. And to purge the core that made you successful is very hard to do.

For example, if I tried to go start a new consumer internet company, and I tried to do that the way that I started LinkedIn, and just kind of said, "I'm gonna follow the early LinkedIn playbook," I'll fail. Mobile is different. Virality is different. LinkedIn and the ecosystem is different. The platforms that people are using, they're all different. So you have to use a different set of techniques in order to do this. And that's part of the learning and unlearning.

So Barry, in his eagerness to unlearn everything he's learned about media, buys up QVC — and stakes out his first venture in the wild new world of interactive content.

QVC was just a testing ground for a much grander ambition. Barry was mesmerized by the idea of an interactive screen. He saw how it could shake up any and all industries. And he was about to build an empire of interactive content. Then, in 1995, he acquired a company called Silver King communications, which after a series of name changes became InteractiveCorp, or IAC for short. The name is generic by design.

HOFFMAN: And so what was the genesis and idea of doing Interactive Corp?

DILLER: I am the definition of unintended consequences, I guess. From the world I came from, of narrative, I'd gotten this dose of interactivity.

A word I made up, by the way. It was there for the taking.

The word "entrepreneur" had now really begun, very early stages, but it had begun. And ideas of colonizing offline businesses into online businesses—that had just begun. So we were there very early.

HOFFMAN: One of IAC's first major acquisitions was a company called Ticketmaster — which became the leading online hub for tickets to concerts, games, and other live events. And then see if you can follow the thread here — what does he acquire next?

DILLER: Ticketmaster was one, and then of course travel—

HOFFMAN: Expedia.

HOFFMAN: That's right, he buys Expedia.com, and moves into online travel. And if that sounds like a rather odd leap, watch him put the moves on online dating.

HOFFMAN: How did you become literally the king of dating?

DILLER: It's the truth. My son says to me, "There's a site you should buy." I said, "What?" "It's called Friendster. Friend Finder." Something like that.

HOFFMAN: Friend Finder, that's the one you're thinking of.

DILLER: So I look it up, I say, "Alex, this is a hooker site in Canada." I said, "No, we're not doing that."

However, the idea—so there was a tiny little company in Texas called Match.com because I'd said, "This is something the internet can do." So we bought this little tiny thing, and then it went to where it went.

I had thought that there was no reason why, if you built up some fluency in this, you couldn't do lots. So we became, very quickly, the only conglomerate, so to speak, in the internet space.

HOFFMAN: Match.com went on to become the first mega-dating site. But Barry doesn't stop there. He leans into the entire genre of online matchmaking and beyond. We ran through the list in our last episode, but it's worth recounting here.

Match.com.

Tinder.

OKCupid.

Plenty of Fish.

BlackPeopleMeet.

Expedia.

TripAdvisor.
UrbanSpoon.
Vimeo.
Ask.com
The Daily Beast.
College Humor.
Daily Burn
Dictionary.com
Angie's List

You can hardly use the internet without encountering one of Diller's properties.

The question remains: If every online property is fair game, how does Barry even decide what IAC should buy in the first place — and which he should avoid? I asked him, and expected a guiding philosophy that would at last explain IAC's ever-expanding portfolio.

HOFFMAN: So how did you apply your blank page, your process, to the starting of your Internet businesses?

DILLER: The first one is always the first, and then since I'm always up for anything, I really want to keep scrubbing it so that I'm open. But by the fourth or fifth, I said, "Yes—this is what we do." In a world where nobody really knew anything—I always think nobody knows anything about anything, including me. But where very few people knew anything, we had actually built up some expertise in knowing some of the basics of both product iteration and distribution.

And so it was very natural. We started businesses, we invented them, we bought them at various stages, and we got used to it.

HOFFMAN: This is a high-stakes game, buying companies and figuring out how they work as you go. You can imagine how this portfolio might collapse in a cloud of mismanagement. But Barry, once again, has a competitive advantage: He may be a novice in all of these fields, but so is everyone else. Remember this line?

DILLER: I always think nobody knows anything about anything, including me.

HOFFMAN: There's a lot of wisdom packed into that statement. First, he knows that so long as no one has figured out how to run these businesses, he has as good a shot as anyone.

Second, he knows what he doesn't know. And this helps you to continually embody a beginner's mindset — where you're curious, nimble and open to new ideas.

And finally, he has the confidence of a lifelong learner — and this sort of confidence can't be faked. You can't just declare yourself an infinite learner. You have to do the hard work of both deep learning — and quick unlearning — before you can place bets on so many industries. If you go in with too many preconceived notions about how a business should run — it's a liability.

DILLER: The more you know, the worse it is. In fact, it's relatively simple—is it a good idea?

When an existing company—an acquisition—if you spent too much time on it, and you learn too much about it, you will inevitably be talked out of it. And I've seen it happen so many times in my company,

Hindsight is hindsight—but you go back a year or two later and say, "What was wrong?" You know, we've got teams of analysts and—same thing you've got. And you get too much data in that, as against a good idea, and you come to the wrong conclusion.

HOFFMAN: This reminded me of my own investments in the “venture” stage, when we take big risks on much less mature companies than Barry. We also have our analysts and due diligence teams. Combine that with our own near death experiences as startup founders, and it's a wonder we invest at all. But remember: We're not just infinite learners ourselves, we're in the business of investing in other infinite learners — people whom we entrust to work through all of those troubling unknowns. So we learn all of the risks to the business, and then we unlearn them.

HOFFMAN: By the way, there's a funny parallel to the venture business, because basically, if you can completely predict it analytically, it's probably at the wrong stage for the venture business. So that means is, that you're taking a risk; you're jumping into the unknown somewhat. And if you overly pollute it with, "Here's a risk, and here's an unknown, and here's a risk, and here's an unknown, and here's a risk, and here's an unknown," then all of a sudden, it just looks like, "Oh my god, how could this ever work?"

So you want this balance between, "I know what the big risks are, I know what the big play is, but I can still see the vision that it could be." That's the fulcrum by which you want to make decisions.

DILLER: We're not, as you know, we're not in the venture stage in the acquisition area. We're at stages where, at a minimum, you're paying \$500 million to multiple billions for something. Well, forget the valuation game, which is a whole other shell game.—The killer of over analysis, is the loss of opportunity. And that's really true.

HOFFMAN: Because it's the opportunity is what matters much more than anything else.

DILLER: Absolutely.

HOFFMAN: Yes.

HOFFMAN: One quick way out of this analysis paralysis is to start from Barry's premise that nobody knows anything, yourself included. And this is simultaneously a humbling and liberating concept.

A lot of young entrepreneurs think strategy is something like a chess game. They think they have to pre-plan the whole sequence of moves — and actually, in fact, sometimes, you get elements of that. But frequently, what I tell founders is, "No, you actually don't need to plot out every move in your head. In fact, you shouldn't. Just stay nimble enough so that when you see a strategic opportunity, you recognize it and you orient towards it."

The most visionary founders recognize the limits of their vision. They can picture in vivid detail what their customers want. But they also recognize that that picture was painted by their overly-active imaginations. They have to readily revise this imagined future, based on the reality of customer feedback. You can't get that feedback by simply describing the future to your customers. If you were to ask them, "Hey, would you want this?" The usual answer is a sort of lukewarm, "Possibly, I don't know." You don't get very good data, because most people are not good at conceptualizing the future.

But if you give customers a glimpse of that future — which means building and rebuilding your product — what typically happens is, customer kind of knows it when they see it, right? At some point, they'll go, "Ooh, that's good." And only then does the next step in your strategy become apparent.

What I find so interesting about Barry's business model is that the moment he becomes sure-footed in his strategy, that's the moment his interest starts to wane. He has no interest in clinging to familiar properties, or even the ones that anchor IAC's portfolio.

DILLER: And then I thought, this is stupid. I don't like conglomerates. They're inefficient, and essentially you are the false daddy to all of these enterprises—meaning "false," meaning, you have total control, you can allocate capital here, there and whatever. They come to you as the daddy but you're allocating capital rather than this company doing what it solely wants to do.

So I started spinning these companies off, as soon as it got to be a stage where I thought it really needed the light of being independent, being on its own. That was a healthy thing.

HOFFMAN: Here's what makes IAC such a strange and indescribable business. Everything Barry learned about online dating, travel or new media, he's ready to spin off as soon as he's figured it out. In 2008 alone, IAC spun off the Home Shopping Network, Ticketmaster, and LendingTree.com.

IAC, in short, is not quite a conglomerate — though it's often mistaken for one. It's more like an incubator that hatches ideas for just about the length of time that Barry can sustain his interest. It's a portfolio constantly poised between Barry's desire to learn and unlearn.

DILLER: So we've done nine spinoffs of companies, because—now we keep an incubator company, called IAC, if something gets to be of size, we spin it out.

HOFFMAN: I want to be clear, no one can build and manage this diverse of a portfolio on their own. Barry doesn't just spot promising companies — he spots promising leaders. They are infinite learners, like himself. They're known as "the Killer Dillers." They include entertainment executives like Jeffrey Katzenberg, former CEO of Dreamworks, Dawn Steel, the former head of Columbia Pictures and Michael Eisner, former CEO of the Walt Disney Company.

They also include high-tech executives. When Uber forced its co-founder and CEO, Travis Kalanick, to step down, who did the board hire to turn the company around? That's right, a Killer Diller, Dara Khosrowshahi, Uber's new CEO.

And that's just a sampling of the talent that flies like sparks out of Barry's companies and sets whole industries ablaze. He has an uncanny ability to develop future leaders, according to a simple rule.

DILLER: Here it is, in a sentence, whether it's dumb or smart. Which is, if you hire people at senior positions, you are a failure.

HOFFMAN: This wasn't what I expected Barry to say. He explains.

DILLER: It's my own stuff, I got hired with no experience, no nothing, somebody just took the flyer, as they say.

So I have always believed to hire people, bring people into your organization who are young, and who are inexperienced for the job that you give them. And sometimes that works, and sometimes that doesn't work.

HOFFMAN: You won't find the following recommendations in any HR manual.

DILLER: When you drop somebody into deep water, and you see they flounder, and they really are gasping—unless that happens, development rarely happens. And then slowly they get above the waterline, and then they start to go.

HOFFMAN: If you think Barry is exaggerating, consider his training regimen for one of the Killer Dillers.

Uber's CEO Dara Khosrowshahi.

DILLER: Dara Khosrowshahi started with our company, was at Allen and Company as a junior analyst, he came to us as a junior analyst. What we did is we made him CFO—he had no experience, he didn't know what a CFO was—of a division, and he just kept going from there.

DARA KHOSROWSHAHI: And Barry is absolutely right, I had no idea what I was taking on.

HOFFMAN: That's Dara, by the way.

KHOSROWSHAHI: I didn't know how to work with an audit committee. My accounting expertise was quite lacking but Barry has a habit of throwing people kind of into opportunities and letting them either rise or fail.

HOFFMAN: You'd think Dara might have flagged some of these gaps in his resume. Think again.

KHOSROWSHAHI: You know, we were moving so fast that there wasn't much time for self-reflection. I was just lucky that Barry gave me that opportunity. So, no, you know I didn't think long and hard about it, when you get an opportunity like that you say, yep, and you figure it out.

HOFFMAN: Now that's an infinite learner talking, and here's what happens when an infinite learner swings into action.

KHOSROWSHAHI: We were essentially a conglomerate with lots of little independent businesses out there. And to build out the controls to be a proper reporting public company was a real struggle for me. Fortunately, I knew what I didn't know and I have for example a great audit committee chair, Alan Spoon, I had a terrific mentor, Victor Kaufman, who I went to for help. It was a really positive experience in the end, I mean it was a tough fight but it's tough fights that are satisfying,

HOFFMAN: A pretty positive experience — but here's the thing about infinite learning — it's addictive. When Barry was searching for a new CEO to run Expedia, Dara hurled himself into the deep end.

KHOSROWSHAHI: So the CEO kind of decided that he was going to move on to his next challenge and at that point I was CFO of IAC and I raised my hand and I asked for the CEO job, not understanding exactly what it would take and Barry, in that case, took me up on the offer. It was either because he thought I was talented or he didn't have

many other alternatives and I kind of don't care why. But he gave me the opportunity and you know, in that job, for the first year or year and a half, I had a tough time but I learned what it took, Barry did give me the time, he allowed me to make some mistakes, some of them were painful and after that tough year, year and a half, things started turning in the right direction, and I was Expedia CEO for 13 years which led me to where I am now, at Uber.

HOFFMAN: So by now, you're probably getting a sense of why Dara was tapped to run Uber. Perhaps the only thing more compelling than his experience, is how quickly he learns in the absence of experience. He's back in the deep—and he's right where he belongs.

KHOSROWSHAHI: Oh I am very much in the deep end, but you know, I knew that I was getting into a super dynamic, super difficult situation and the experience that I had at a CFO of IAC and CEO Expedia has really taught me to find the hard stuff and take the hard stuff on early because the hard stuff doesn't get any easier with time, it only gets tougher.

HOFFMAN: We're scheduling an interview with Dara for an upcoming episode of Masters of Scale. So if you want to hear what he's learning and unlearning, stay tuned. And send us any questions you have for him @mastersofscale.

So far we've focused on Barry's most successful proteges. But there's also the untold story of the bright young things who were thrown into the deep end — and sank. Barry acknowledges the risks. He doesn't fret over them, though.

DILLER: If you do it with consistent turkeys, then you just have a swimming pool with dead bodies at the bottom.

HOFFMAN: Let's linger for a moment on those bodies at the bottom of the pool. The Killer Dillers themselves had a bit more to say about this problem.

KHOSROWSHAHI: I try to throw them into the shallow end so they don't, and see how they swim before I transfer them over to the deep end. You know, I'm younger and maybe I'm not as brave a risk-taker as Barry is.

HOFFMAN: Barry can develop new talent the same way he develops new businesses — with an open mind, a quick reaction time and no fixed assumptions. Dara adds that he's never seen anyone read his employees quite as closely as Barry.

KHOSROWSHAHI Barry listens unlike anyone I've ever met. He's really listening for every single angle. He wants to get his data straight from the source, he wants high fidelity, he does not want any editorial whatsoever, you know he has an ear for

human nature and kind of business in a way that I haven't seen other people but that listening skill I think allows him to identify traits in people that a lot of other people who aren't listening this carefully or observing this carefully I think, miss.

HOFFMAN: This ability to read your colleagues — to learn and unlearn everything you know about them — is perhaps the single most unpredictable variable in your business. Markets change, technologies change, user habits change — but nothing changes as wildly as the talents of your employees.

Margaret Heffernan, the former CEO of five tech companies and author of *Dare to Disagree*, argues that the best leaders don't even try to gauge talent as some fixed quantity inherent in every person. People rise and fall, depending on the circumstances. True leaders constantly study their employees for signs of promise and signs of trouble.

MARGARET HEFFERNAN: We make a huge mistake when we divide people into kind of stars and also-rans, which culturally, we tend to do. He/she is a superstar. They're a good foot soldier. I think in some circumstances, anybody is a star, and in some circumstances, anybody is a foot soldier. And it is very like casting, which is there are certain actors who are just the most dazzling supporting actors. If you put them in the right position, they will change the whole movie. They don't need to run it to change it. And there are other—and those same people can also be stars in a different film.

And so, this idea that there are people who are infallible—even Jeffrey Katzenberg isn't infallible. Even Barry Diller isn't infallible. Steven Spielberg has made stinkers, and Steve Jobs has run bad companies. So, the important thing isn't are you in the superstar category or the footsoldier category.

The point is, are you the right person for this job assignment? And that's a higher grade of sensibility, it seems to me.

HOFFMAN: Even Barry's uncommon ability to spot the right employee for the right job, leaves him vulnerable to one final and unavoidable challenge: How do you hang onto those employees who thrive in the deep end?

The hard truth is, you often can't. When Barry loses a powerhouse talent like Dara to Uber, take note of his reaction. He emailed an open letter to every employee at Expedia. One line, in particular, struck me:

It reads: "If Dara does leave us, it will be to my great regret but also my blessing"

That is how you learn to let go of your talent. I couldn't resist telling Barry. In fact, I had a bit more to say about the letter than he did.

HOFFMAN: The letter that you had written about him in the shift to the Uber CEO job, because obviously he was formerly CEO of Expedia with you, was actually, in fact, a textbook letter in something that—my second book is called *The Alliance*, which is, how do you actually make allies out of the people you work with for career transformation?

That was the perfect—look, we love you, we love you working here, you've done amazing things, and it's great that you're also—we'll miss you, but it's also great that you're going to go do something else amazing as well. Right?

And was that the same way that, all the way back to the Paramount days, about how you were essentially developing talent?

DILLER: Absolutely, yes.

HOFFMAN: You can read the full letter on our website at [Masters of Scale.com](http://MastersofScale.com).

In light of everything Barry has learned across his varied career, I had to ask him one last question. It's a question I ask every guest.

HOFFMAN: Is there anything that you would call and tell your younger self, do X differently, or do more of Y, less of Z?

DILLER: Endless. Because, as I say, the process is learning and course-correcting—other than academically—when it's process towards commerce or whatever. And so it wouldn't matter, because yes—I would tell myself 27 million different things, it wouldn't do me or it any good, because for me, I had to unlearn to learn.

Learn to unlearn, and the whole circle of that.

HOFFMAN: That's an awesome expression have you said that before?

DILLER: No.

HOFFMAN: I haven't heard that, that's great.

DILLER: I've never thought it before.

HOFFMAN: I HAD thought it before. But I never quite found the words for it, until I interviewed Barry. You learn something new every day. And then, of course, you unlearn it.

I'm Reid Hoffman. Thank you for listening.