

Masters of Scale Episode Transcript: Danny Meyer

DANNY MEYER: I had spent three or four years selling electronic tags to stop shoplifters, which was basically my ticket to living in New York, and it turned out I was a really good salesman. I was completely ignorant to my own burning passion.

REID HOFFMAN: That's Danny Meyer, recounting his former life as a crime-fighter of sorts in the rough-and-tumble of early 80s Gotham. And like many troubled heroes, he was haunted by his past, and uncertain of his future.

MEYER: I decided I should opt towards getting a law degree.

HOFFMAN: After months of grueling study, he was finally ready to sit the test that would set him on course for a comfortable life in law.

MEYER: The night before I took my LSATs, I had dinner with my aunt and uncle and my grandmother, at an Italian restaurant here in New York City. I was in a foul mood and my uncle turned to me and he said, "What the hell's eating you anyway?"

And I said, "Well, I gotta take my LSATs tomorrow."

He said, "Well, duh, you want to be a lawyer, of course you're gonna take your LSATs."

And I said something really stupid to him at that point, which changed my entire life, which was, "I don't really want to be a lawyer."

He got furious with me. He said, "Do you not realize that you're going to be dead forever?"

And I said, "What do you mean?"

He said, "Do you not realize that relative to how long you're gonna be dead, you're gonna be alive for about a minute? Why in the world would you do something that you don't want to do?"

And I said, "Well, I don't know what else I would do."

He said, "You gotta be kidding me. All I've ever heard you talk about is restaurants your whole life."

I actually said at that point, "Well, should I go eat in restaurants for the rest of my life?"

And he says, “No, you fool, you should open a restaurant.” And it just... it's not something that people were doing in the 1980s. You just didn't do it.

HOFFMAN: “You just didn't do it.” That phrase is the precursor of many a great entrepreneurial story. Because many founders have to go up against the kind of received wisdom that says: “You just don't do certain things.”

And, if they're lucky, that weary-sounding “You just didn't do it” becomes a vibrant “I've got to go do it.”

Received wisdom can take many forms. It can be cultural. It can be industrial. It can be familial. And it can be personal. Deeply personal.

I believe you must cast off received wisdom in order to revolutionize an industry.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, founder of LinkedIn, investor at Greylock, and your host. My voice is noticeably sore after a week of promoting my new book, Blitzscaling. But Danny's story is so compelling, I wanted to get it to you as soon as possible. Hopefully, the delight of Danny will shine through the gravel of my voice. Here we go: I believe you have to cast off received wisdom – be it personal, professional or cultural – in order to revolutionize an industry.

But first, a word in favor of received wisdom. It's powerful. It's evolutionary. It helps us avoid the mistakes of our ancestors. But, like any set of rigid directives, received wisdom can blind us to new possibilities.

I wanted to speak with Danny Meyer about this, because his success is a direct result of his willingness to go against received wisdom, from his first innovative restaurants, Union Square Cafe and Gramercy Tavern in New York, to the dramatic scale story of Shake Shack.

The first thing you have to know about Danny is that his real product isn't food. It's how his restaurants make you feel. And this is what he has scaled.

It's somewhat ironic that Danny, who reads the feelings of his customers and employees so closely, didn't consider pursuing his own passion.

MEYER: I grew up in St. Louis, Missouri, which is not necessarily famous for amazing food. But I was getting this education in food because of my parents.

HOFFMAN: Danny's parents had spent two years in France, when his Dad was in the army.

MEYER: They were there during a time when there were just no conflicts, apparently, because they spent all of their time driving to family-owned restaurants in the countryside of France.

HOFFMAN: When they returned to the U.S., Danny's father started a travel agency.

MEYER: His specialty was designing driving trips throughout the French countryside, stopping at these little inns.

HOFFMAN: And French culture stuck with them.

MEYER: Every single night, we had a bottle of Beaujolais on the table and French was spoken, primarily so that my brother and sister and I wouldn't understand what my parents were talking about, and our little dog Ratatouille was, you know, waiting for table scraps. But I was getting this education in food that never in a million years did I expect would become a career.

HOFFMAN: You might be able to predict where this story will end. But when it starts, Danny was still following received wisdom. He followed it to Washington D.C. where he worked briefly in politics, and to New York where he sold those security tags. But then, there was that fateful dinner with his uncle.

MEYER: Two days after our dinner, I applied to the New York restaurant school. I convinced one of my best friends from college to join me. I said, "You be the money guy. I'll be the food guy." He didn't tell his parents about it, which was a big mistake because when they learned after two classes, they made him drop out. They said, "No son of ours is going to go into that nasty business."

HOFFMAN: There it is: the received wisdom from parents everywhere at that time. The "nasty" restaurant business was no place for someone of good social standing. But Danny was determined to keep going. He landed his first restaurant job as an assistant lunch manager.

MEYER: I said to myself, "You just gotta get this out of your system." But getting it out of my system kind of put it into my system even more.

HOFFMAN: He did internships in both Italy and France, and returned to New York, ready to start a restaurant.

HOFFMAN: And did you already know what you wanted with Union Square Cafe? Did you have like, "Here is how I'm going to create something unique or different and this is the kind of thing I'm going to do. This is this is how I think I'm going to succeed"?

MEYER: I had been eating in restaurants with gusto for my entire life. I guess I knew a lot more about food than I knew I knew about food. But I knew how I wanted to be treated and that was the big deal.

HOFFMAN: Danny's vast experience eating out led him to believe that one thing ranked above all else in restaurants. While received wisdom said the food was the star attraction, Danny knew better.

MEYER: I knew how it felt to not be treated well in a restaurant and I was picking up lessons about what not to do as much as what to do. Union Square Cafe became my... It was kind of like a big grab bag of all the design elements, food elements, wine elements, value elements, and above all hospitality elements that I wanted in my favorite restaurant.

HOFFMAN: Danny made feeling – not food – his guiding principle. Other restaurants may focus on the menu, the ingredients, the wine list or the ambience. Danny knew these things were important. But he also believed food and wine were nothing compared to how the experience made his customers feel.

This belief in how to treat people guided all his decisions in the crazy early days. And the way Danny recounts them, they really do sound crazy. Farcical, in fact.

MEYER: I didn't know anything except how to treat people. And the first bookkeeper I hired didn't know how to balance his own checkbook. And the first waiter I hired, I found him trying to open a bottle of champagne on opening night with a corkscrew. That is a dangerous thing to do.

HOFFMAN: Danny's empathy for his diners made up for his failings.

MEYER: We couldn't get drinks from the bar. We couldn't get food out of the kitchen, but damnit. We... You know what it was? I had this ability from the beginning to figure out how people were feeling and to figure out what it was going to take, whether it was going to be via food or alcohol or caffeine or remembering their favorite table, whatever it was going to take, I had a desire and an ability to figure out how to make sure people would leave a little happier than however they came. And that became really the bulwark for for the restaurant.

HOFFMAN: Despite those early mishaps, Union Square Cafe became one of New York's most beloved and innovative dining spots. But for the next decade, Danny famously resisted opening any more locations. Why? His deep-seated belief that scaling would end in calamity. This received wisdom came from a dark episode in his family history.

HOFFMAN: As I understand it, you had kind of promised to yourself you would only ever have one restaurant. Why did you make yourself that promise? And then how did you eventually decide it was time to change that?

MEYER: My experience of watching my dad on two different occasions, go through business bankruptcies, was deeply, deeply etched in my psyche. An incredibly painful thing to see your best friend, your hero, which my dad was both to me, suffer, totally suffer, and see our family suffer emotionally through two different bankruptcies.

And I made the assumption that doing anything for a second time or doing a second thing for the first time or doing anything that looked like growth beyond one business would obviously lead me down the path of bankruptcy.

HOFFMAN: When his father passed away in 1990, Danny lost the person who had ignited his lifelong passion for food. But Danny also began to lose something else: the fear that scaling his business would result in ruin. This kind of deeply personal received wisdom is the hardest kind to overturn. When you do finally break out of it, it can feel like a revelation.

MEYER: It took experiencing my dad's early passing away at the age of 59 from cancer, to deal with that and to learn more about myself, and to really come to grips with the fact that I'm not my dad. And that there'd been a whole lot of businesses in history that expanded without necessarily going bankrupt and, and really trying to figure out what had led him down that path and it wasn't expansion. It was a failure to surround himself with a lot of people who knew how to do things he didn't know how to do. He had a need to be the smartest guy in the room, which I don't.

HOFFMAN: Surround yourself with people who are better than you. It's a key trait that I see in all the best leaders. You have to let go of any fear that a smart team will outshine you. In fact, brilliant coworkers raise the game for everyone. It worked for Danny. He began to unpack his received wisdom around scaling a business. And when he got the opportunity to hire an up-and-coming chef named Tom Colicchio, he took it. If that name sounds familiar, it's because Tom is now the head judge on the TV show Top Chef. Together, Danny and Tom worked on a new idea that would again go against prevailing wisdom.

MEYER: I came up with this notion: Wouldn't it be cool to create a restaurant that would almost be the product if a really refined and yet very friendly three-star restaurant had a baby with Union Square Cafe? And you would end up with a rustic, accessible version of a fancy restaurant or a fancy-ish version of a neighborhood restaurant. And that became Gramercy Tavern.

HOFFMAN: Danny had overcome his fears. He was opening a second restaurant. And he was running with a bold new idea that would bridge the gulf between upscale dining and neighborhood eats.

Another person who made his reputation by casting off received wisdom is NBA legend Rick Barry.

Rick is famous for his free throws, the individual shots that players get to take when they've been fouled. His record is extraordinary.

RICK BARRY: In my last six years, I shot over 92%. In my last two years, I shot over 94% and only missed ten free throws in one season and nine free throws in another and take great pride in it because it's the only part of the game that you could be selfish and help your team.

HOFFMAN: To put those figures in context, the average NBA player makes around 75% of their free throws. A rate of 80% is considered excellent.

But it wasn't just Rick's ability that stands out. It's the way he shoots. He actually throws the ball underhand, holding it with two hands and hurling it from below his waist. His father had taught him that way, but it had fallen out of favor by the time Rick started playing.

BARRY: I'm shooting my free throws and I hear a guy from the stands yelling, "Hey, Barry. You big [bleep], shooting like that." And I heard as clear as a bell, the guy next to him says, "What are you making fun of him for? He doesn't miss." And I was cool from that point on.

HOFFMAN: It's not just the results that back it up. Scientifically, the underhand throw should, all things being even, be more accurate.

BARRY: There has been a lot of research done with regard to the underhanded free throw. Physicists have done that, and it's proven that it is the most efficient way to do it. There are less moving parts. It's a softer shot. And yet, people are reluctant to try to do it.

HOFFMAN: So why are players so reluctant to give underhand a go?

BARRY: I think because people refer to it as a "granny shot", because in the old days, as they say, girls shot that way. But girls don't shoot that way anymore. I was teased a lot about it, but as my father said, and I can remember the words so vividly as if he were here, still, with me today, saying, "Son, they can't make fun of you if you're making them."

I think the most important thing is, in life is that you have to be comfortable with yourself and what it is that you're doing. And if you know that you're doing something that is out

of the norm, that people look strangely at, but it's success for you and it works, and as long as it's not illegal, then, keep doing it. Don't worry about what other people think.

HOFFMAN: For Danny, the worry wasn't what other people may think. His demons were of his own making. A Broadway star can overcome stage fright by striding purposefully onto the stage and launching into their first number. Likewise, Danny flung wide the doors of Gramercy Tavern, his new venture with Tom. Danny strode out onto the stage, puffed out his chest and prepared to belt out his opening song. It was a watershed. It was a brave new beginning.

MEYER: It was horrible. It was absolutely horrible because I was still trying to come to grips with some of my father's demons.

HOFFMAN: In agreeing to launch a second restaurant, Danny had made a deal with himself.

MEYER: "I'll open a second restaurant if it can satisfy these three things: it's even better than the first, the first one gets better in the process, and I'll actually have a more balanced life in the process of opening this."

HOFFMAN: Any time you double anything – whether you're going from one million to two million or just 1 to 2, like Danny did – you're going to feel growing pains.

MEYER: So I opened Gramercy Tavern and the very first year that it opened, we got horrible reviews. Union Square Cafe, for the first time ever, dropped in the Zagat survey, and my life was a mess. So I was 0 for three. I wasn't even one for three, I was 0 for three. And it was bad. It was really really hard. I didn't know how to be in two places at once.

HOFFMAN: Not only was the new Gramercy Tavern struggling, but Danny's first restaurant started to slip. Union Square Cafe had been riding high on the Zagat restaurant review survey for a decade. But now, with Danny torn between two locations, its crown started to slip.

Were Danny's deep-seated fears about scaling not so irrational after all? We'll see how the answer lay in a plate of overcooked salmon.

When he opened Gramercy Tavern, Danny had gone against his own, personal received wisdom. This was his fear that if he scaled his restaurant business, it would all come crashing down. And now, it looked like those fears had been justified. Danny was hit by two clear signs in one day. The first came from his bookkeeper, but it wasn't to do with the finances.

MEYER: On his desk I noticed two sets of keys and one of them had a yellow smiley face, like you used to see in the 70s, and one had a yellow frowning face. I said, "What's that?"

He said, "Well, I think you know."

I said "No, what are you talking about?"

He said, "Well the smiley face is Union Square Cafe and the frowning face is Gramercy Tavern."

I said, "Why?" And he said, "Because Gramercy Tavern doesn't feel like one of your restaurants."

HOFFMAN: There it is again. The emphasis on feelings. If you're a left-brained sort of person – and I know a lot of you are – you might immediately find this approach squishy and suspect. But feelings matter. Every product and every business has to fulfill both functional and emotional roles for customers. By the way, Clayton Christensen wrote a great piece about this with Scott Cook. We'll link to it from this episode page on [MastersofScale.com](#).

Danny knew the same was true in the restaurant business. Of course the facts are important: Is the food tasty? Is it served promptly? But none of that matters if the experience *feels* bad. In that case, even the most delicious meal will leave your customer with a bad taste in their mouth. But Danny's new restaurant had lost sight of that. It took one of his customers to tell him directly.

MEYER: She said, "Why doesn't this restaurant feel like Union Square Cafe?"

And I said, "What do you mean?"

And she said, "You know, I was entertaining this group of people at lunch today and something happened that never would have happened at Union Square Cafe."

"What? What?"

And she said, "First of all, my salmon was overcooked." And she said, "I mean, that's happened at Union Square Cafe, but what happened next would never happen."

"What happened?"

And she said, "Well, first of all, no one noticed. At Union Square Cafe, they would have noticed, they would have come up and they would have discreetly asked me if I'd like to have it recooked, but no one noticed and I wasn't gonna say anything because I'm trying to entertain other people. But there it sat and I took a couple bites because I had to eat something even though I didn't like it. And at the end of the meal your manager came up to me and and said, 'The rest of your salmon, would you like me to put it in the coat check room so you can take it home?' And I was like, 'What are you, kidding me?'

He then leaves it on the bill. At Union Square Cafe, they would have taken it off the bill, they would have brought me something else with your compliments, what's going on here?"

So all in one day I said to myself, "This sucks."

And that was the day that I finally, in addition to relieving that particular manager of his job, came up with a name for what really really mattered to me and I called it "enlightened hospitality."

HOFFMAN: "Enlightened hospitality." It's what Danny had been doing instinctively for years. And it was possible to scale. It just needed the crystallization that comes from the simple act of naming. Danny could now express it to his staff in words as well as deeds.

MEYER: We had an all-staff meeting at Gramercy Tavern and I said, "Guys, instead of making you guess what matters to me, I'm going to start to tell you, right now." I had never done that before. I just been it, but I hadn't taught it.

And that low point probably turned into the high point of what has allowed us to scale all kinds of businesses over time, which is: not what do you do but how do you do it? Not what do you serve and how do you set the table, but how do you make choices and what what are the priorities? I never thought about the word culture, you know other than in yogurt, back in those days.

HOFFMAN: Danny realized he needed a scalable way to transmit his almost instinctive feeling for hospitality. But as in meditation, enlightenment could not be reached by writing edicts for others to mindlessly follow. That would merely create more received wisdom and an unthinking, unfeeling team. Rather, the path to enlightened hospitality lay in creating a culture where everyone became as attuned to their guests' feelings as Danny is.

MEYER: Hospitality, as I define it, is very simple. It all comes down to one preposition: "for." If you feel like the other guy did something for you, that's hospitality. If you think about every single transaction you go through in life, you don't necessarily feel like they did something for you. In fact, sometimes you feel like they did something to you. And by the way, if you ask for your salmon rare and I bring it to you rare, that's not hospitality. That's what you expected. Hospitality might be that I remember and I don't even have to ask you. And I started developing a language where I could teach this to people.

People expect the food to be great. They expect you to get the right food to the right person at the right temperature at the right table at the right time and get your coat back, and all the stuff that's expected.

HOFFMAN: How do you go beyond what's expected? You surprise and delight someone.

MEYER: Service is just the word for the technical delivery of the product. So when you tell me a place has great service, I'll tell you it works. But to tell people that "hospitality" was a completely different word than "service" was something they hadn't heard before, that hospitality describes an emotional transaction whereas service describes a technical transaction – and you need them both.

HOFFMAN: I love this distinction. "Hospitality is an emotional transaction. Service is a technical transaction. And you need them both." It's a simple idea with radical implications for any industry. If you treat your relationship with your customers as merely technical, a contractual exchange of goods or services, then don't expect them to stick around for the long-term.

To make it easy for his staff to digest his formula, Danny boiled it down to make it even simpler. Though it might be hard for traditionalists to stomach, as it flies in the face of some of the most revered received wisdom.

MEYER: I took it a step further and said, "I'm going to give you guys the best recipe you've ever had in your life. And it only has two ingredients. So it's really simple. It's 49 parts performance and 51 parts hospitality. And that's what you are going to be judged on. That's how you're going to get paid. That's how you're going to get your bonus. And guess what guys? In this business, the customer is going to come second. And by the way, the customer is not always right because no one's always right."

HOFFMAN: That's right. Danny told his staff to put the customer second. Heresy for some. But for my money, the idea that "the customer is always right" has resulted in more dismay than delight in the long term.

This wasn't the only lame old sacred cow that Danny brought to the slaughter before the eyes of his shocked staff. He continued, reiterating that, in this restaurant, the staff would come first.

MEYER: "You're responsible for doing extraordinary, unexpected things for each other and showing off for each other what it's like to be great at what you do and even greater, 51%, at how you make people feel and I believe that if you do that for each other, our guests are going to be in for a treat when they come in and they're second. The third stakeholder that gets hospitality is the community in which we do business. And the fourth are the suppliers with whom we do business. And fifth, we're actually going to put our investors fifth."

HOFFMAN: You might expect me, as an investor, to take issue with Danny. But he's actually right.

Danny isn't saying "investors suck." Rather, he is saying we can re-evaluate how we treat the relationship between investors, founders, employees, suppliers, and customers in a way that is additive for all.

MEYER: This is not a linear one-through-five list where the investors just at the bottom of the totem pole, but it's actually a virtuous cycle and if you break the cycle anywhere you break the whole thing.

HOFFMAN: Focus on your team, your customers, on hospitality, on your culture. In doing so, you're creating a long term virtuous cycle, a compounding loop that will ultimately get your investors bigger long term returns.

There is one huge challenge with this plan that could bring it tumbling down: if you do not invest your core team with the power to surprise and delight through hospitality, if they merely meet expectations through service, then your virtuous cycle will break. I asked Danny about this, because I believe his virtuous cycle and ideas of hospitality are hugely relevant far beyond the restaurant trade.

HOFFMAN: How did you kind of teach the emotional connection, because a phrase I use is: how do you surprise and delight? Right, so like... thinking about something that is not just "Yeah, yeah, that's what I expect" but "Oh, that's really great." What were some of the key elements of that?

MEYER: For me, I think it gets back to servant leadership, which is: how do you find opportunities on a daily basis to take care of the people who are ultimately going to take care of you? And I inculcate it by talking about it till people roll their eyes because they're so sick of hearing me talk about it.

And I just feel like culture is driven by language. I don't know any culture in the world that is not glued together by language. Whether it's your family, your religion, there's language. And I think that the CEO of a company is the shaman of that culture. And they either have to be more fluent at that language than anybody else or the language is going to go sideways and lose its very special meaning.

HOFFMAN: I like Danny's image of a CEO as shaman, the living, breathing embodiment of their company's culture. As CEO, you are the vessel for your company's received wisdom. But you are not a passive vessel. You keep the received wisdom vital and relevant. You stop it from going sideways, from losing its special meaning. But you also constantly shape it so it evolves along with you, your employees, and your customers.

This approach is what allowed Danny to scale his virtuous cycle to such great effect. But it wasn't instantaneous.

HOFFMAN: How did you inculcate the way that they would treat each other? Because this is obviously, you know, culture is no longer something you think of as only as yogurt but obviously as something that as part of a scaling organization, which is really key. But how did you get it so that, "Okay, it's not just from me, not just from how I'm leading but how from everyone's treating each other." What were some of the key parts there?

MEYER: Well, I'll start by talking about a stumble. Even though I called it a virtuous cycle, I think, people really thought I meant "take care of each other", which is great. But I think that I failed to say, "...So that you can take even better care of our guests. So that we'll have even more revenue with which we can do more things for our community and have better suppliers. So that we'll have more money left over for investors." I didn't go through all that stuff at the beginning.

I think the other thing that that I didn't do a great job of at the beginning was making it really clear that it's "*Your* job to take great care of each other." I think a number of people, when I said, "We come first", made the assumption "What can Danny do for us?" and you know, you can take Romulus and Remus but there's not enough milk to go around for all of Rome, ultimately. You gotta you gotta have the Romans take care of each other.

And so finally I found an even stronger way to describe it, which was, "It's not my job to take great care of you. It's your job to take care of each other."

HOFFMAN: The effect was immediate – not just on restaurant ratings – but in putting to rest Danny's demons about scale once and for all.

MEYER: Each time we opened a new restaurant, now that I have this sort of secret way of talking about things with our team, it would just zoom right to the top of New Yorkers' favorite restaurants. I'll never forget, there was a year where we had four of the top ten of New York's favorite restaurants, maybe five. This helped me to understand that you can actually scale culture.

HOFFMAN: The ultimate test of Danny's virtuous cycle of enlightened hospitality would be Shake Shack. But it wasn't intended to be.

MEYER: Well, the first Shake Shack was kind of a mistake. Probably the best mistake, certainly the most lucrative mistake I'll ever make in my life. But it was truly to try to prove to myself that hospitality was not a fluke.

HOFFMAN: That lucrative mistake was born out of an eye-catching piece of public art in New York's Madison Square Park by the artist Navin Rawanchaikul, named "I heart taxi." It featured a pair of iconic New York cabs on stilts and a working hotdog stand. The park committee asked

Danny if he'd be interested in operating that stand. Danny saw it as an opportunity to put his theory of enlightened hospitality to the test.

MEYER: "Can hospitality actually be expressed in something as mundane as a hot dog cart?" We came up with the idea of serving Chicago hot dogs, which I love, but not only do I love them but they have eight classic toppings. And I wanted to test if we could remember: "Susie's the woman that likes everything except neon relish." "Reid's the guy that likes everything except mustard!"

HOFFMAN: I actually haven't had a hot dog in years. But I plan to get one from Shake Shack the next time I visit New York. If you have a special idea on what I should order, tweet me @MastersofScale.

MEYER: Could we actually express hospitality to our guests and could we do all the things that we have been doing in fancy restaurants before?

HOFFMAN: It was a low-stakes small experiment. But...

MEYER: Lo and behold, 50, 60, 70, 100 people would line up for these damn hot dogs. And you know, they were good but come on. What was what was really going on there?

HOFFMAN: What started as a proof of concept would turn into by far, the biggest exercise in scale of Danny's life.

MEYER: We added burgers and fries and shakes to the hot dogs. Man, we did that for one year, two years, three years, four years. Finally in the fifth year one of my colleagues Randy Garutti, who's now the incredible CEO of Shake Shack, said, "We got to do a second one. Let's go."

This was the first time we had ever opened anything for a second time. And the thing that convinced me to do this was I was always looking for these crazy licenses to do what my father's training had taught me not to do: to grow, to scale.

HOFFMAN: Danny had the wind at his back. Shake Shacks began springing up across New York, and soon the rest of the country. But although Danny had a clear idea of the culture he wanted his company to embody, he was worried that the rate of growth would dilute it. He sought the advice of organizational development consultant Erica Anderson.

MEYER: And she said, "I don't know that culture wants to be maintained. I really look at culture like a shark. It's moving forward or it dies. It's changing or it dies. You don't want to maintain a culture. You always want to be growing it."

And so she said, "Why don't you try a different question, which is, how can we use our growth to advance our culture?"

And all of a sudden that was like, that was one of the greatest gifts ever. What she really helped me to see was that the most powerful thing I think a leader does is to signal through the people that they hire and promote what are the behaviors that they want to propagate. If you are super careful about promoting not just the people who are great at what they do, but the people who are great at how they do it, you are sending the most powerful message.

HOFFMAN: But the battle to overcome received wisdom is never fully won. Before we close the episode, there's one more example that Danny will defy: the so-called "rule of two".

MEYER: Architects and contractors have this law that I hate, called the rule of two: Quality, speed, and price. Which two do you want? And I think our industry did that as well. You know, in the world of fine dining we basically said, "Ok, if you want it to be that good it's obviously going to cost a lot of money and it's going to take more time."

Fast food had a great answer for that and they said, "You want it fast? You want it cheap? Great, just don't expect very good meat. It's not going to be high quality."

Here's what's happened with this mashup that's happening right now in what I call the "fine casual world". We've challenged it to say, "Well whoever wrote the rule that you only get to two by going one plus one plus zero?" And so what fine casual is doing is saying, ".65 plus .65 plus .70 equals 2. And we're going to save you 65% of the money. We're going to save you 65% of the time. And we're going to give you 70% of the quality. You're not going to get a waiter or waitress, you're going to have to pick up your own food and you're probably gonna have to take your compostable plastic to a special trash, but you're not going to give up one ounce of what you put in your mouth qualitatively."

HOFFMAN: Next time you find yourself saying something can't be done, think about the rule of two. And how this rule, like other pieces of received wisdom, contains truth and non-truth. And how you choose to make use of it is entirely up to you.

I'm Reid Hoffman. Thank you for listening.