

## MoS Episode Transcript: Sallie Krawcheck

**REID HOFFMAN:** When you think of the first computer, maybe you imagine a huge mainframe in a college lab in the 1950s; serious-looking people in white coats feeding in punch cards as the machinery whirs. But the story of computing started much earlier. And it probably looked a bit different than you imagine.

**STEVEN JOHNSON:** In the 1830s Charles Babbage, the British inventor, invented basically a programmable computer that was a hundred years ahead of its time.

**HOFFMAN:** That's Steven Johnson, host of the podcast "American Innovations", and author of many books about technology and progress that you should read. Steven's latest book is called *Farsighted: How We Make the Decisions That Matter the Most*. As he wrote it, he kept thinking about Babbage and this first computer.

**JOHNSON:** These machines had almost all the key elements of modern computing. They were programmable, they had the sense of a CPU, they had the sense of RAM, the sense of a hard drive-like storage.

**HOFFMAN:** There was just one small problem: this was the 1830s. Scientists hadn't yet mastered electricity. Babbage's designs were too complex to be built. But this didn't stop them from sparking people's imaginations. And one person they sparked was a mathematician named Ada Lovelace.

**JOHNSON:** Lovelace was a young woman who was a math prodigy at a time when this is very unusual. And she is now widely considered to be the first software programmer.

**HOFFMAN:** Lovelace wrote the first example of what we'd now call "computer code". But she was even more far-sighted. She saw the full potential of Babbage's work – potential that even Babbage himself had missed.

**JOHNSON:** She says, "Listen everybody thinks of this as being just a big calculator that's just good at processing numbers and doing math, but in fact there's no reason a machine like this couldn't be used for more creative ends. It's entirely imaginable that someday a descendant of this machine might be programmed to compose music."

And this was an idea that was almost 150 years ahead of its time, right? Nobody really started talking about computers as creative engines until the 1970s.

**HOFFMAN:** This could be because Ada was more than "just" a math whiz.

**JOHNSON:** She was also the daughter of Lord Byron, the rogue romantic poet from the early 1800s. He was kind of the rockstar figure of his age. He was kind of this

debauched legend and he'd left Ada's mother and run-off and had an affair with his half-sister, and done all these terrible things.

**HOFFMAN:** Ada's mother had been afraid Ada would follow in the footsteps of her "depraved" father. So in an effort to ward off the dangers of romantic poetry, she had Ada study math as a teenager – something very unusual for a woman at that time.

**JOHNSON:** In a sense what that gave her was this extraordinary split consciousness, where she had this romantic poetry part of her and then she had this math prodigy part of her, and it was putting those two things together that I think enabled her to think about a computer as a creative machine when no one was even thinking that way.

**HOFFMAN:** Ada's study of math, combined with her artistic inclinations, gave her a unique way of looking at things, a different perspective that set her apart as an individual. And this kind of diverse perspective – in individuals and groups – comes up again and again in the history of innovation.

**JOHNSON:** Diverse groups are collectively smarter, more original, more creative in their thinking, in their problem-solving. And you can measure that diversity on a number of different axis, right? You can talk about ethnic diversity, you can talk about gender diversity, you can talk about age diversity. But also diversity of expertise, right, people of different intellectual backgrounds, different professional backgrounds.

When you get a group together that looks at a problem from lots of different angles, you end up seeing around blind spots. You end up coming up with creative new solutions because of the diversity of the group.

**HOFFMAN:** When your group embraces diversity of all kinds – when you actively cultivate different viewpoints and different approaches to problem-solving – you immeasurably increase your chances of uncovering not just new ideas but new industries, new opportunities, and new fields of study. In contrast, when your group lacks diversity, you run the risk of hurtling headlong into your collective blind spot.

I believe you need a diverse portfolio of viewpoints to see the opportunities others are missing.

### **[THEME MUSIC]**

**HOFFMAN:** I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host, and I believe you need a diverse portfolio of viewpoints to see the opportunities others are missing.

If your company is dominated by one type of person, your collective blind spots will add up until you're suffering from tunnel vision. And chances are, you won't realize it until it's too late. You'll

be an actor who only plays one character, a musician who plays just one note, an artist who only paints in beige.

If you cultivate a diversity of cultures, experiences, and mindsets – or cognitive diversity – you can inhabit a range of roles in a broad palette of genres, play densely layered melodies that soar, and paint mind-bending combinations of colors across your canvas.

To achieve this, you'll need to search out different people with different backgrounds, experiences, viewpoints, and personalities. These will combine in a kaleidoscope of shifting configurations. And with each twist of the eyepiece – a whole world of new possibilities will open up.

But it's not easy. You'll need to bore through layers of ingrained prejudice as tough as bedrock. And drill deep to get past your own assumptions. It's also not a one-time process. You don't diversify in a day. You need to constantly maintain the diversity on a team. Because if you're not vigilant, it's all too easy to fall back into the familiar.

I've been trying to put my finger on a precise way to articulate just how important – and powerful – cognitive diversity is for anyone looking to scale a company. Which is why I wanted to speak with Sallie Krawcheck.

Sallie was once called “the last honest analyst” by *Fortune* magazine. She cut through one of the least cognitively diverse places there is: Wall Street. She rose through its ranks despite being repelled by much of what she saw there. And since leaving, she's founded Ellevest, an investment platform aimed at women.

Ellevest grew as a direct result of Wall Street's inability to see a transformative investment opportunity. Even when Sallie led it straight to them. And she's become an expert in cultivating cognitive diversity.

Years before she set foot on Wall Street, Sallie was given an enduring taste of being trapped in a place where any kind of diversity is mercilessly stamped out.

**KRAWCHECK:** I went to an all girl school in Charleston, South Carolina. Glasses, braces, I'm not really sure I had corrective shoes, but in my mind I had corrective shoes.

**HOFFMAN:** Sallie may not have had corrective shoes. But the kids around her did all they could to correct what they saw as an anomaly. They shunned her.

**KRAWCHECK:** I was that girl who was chosen last or second to last for the teams. I ate lunch by myself every day, and it was really lonely. My grades fell a lot when I was there, but I just had to go back to school every day. Working your way through that, you've got

to sort of put your armor on, you've got to go back into the field of battle. I love to say: There's nothing they could do to me on Wall Street that was worse than 7th grade.

**HOFFMAN:** Seventh grade may have steeled Sallie for Wall Street. But Sallie originally had another career in mind.

**KRAWCHECK:** I was a journalism major, and I thought, well if I can learn about business and investing, then I'll have something I can write about. So that seemed to make sense. Salomon Brothers, at the time, was the harshest, toughest, gun slinging-est, liar's poker playing-est of any of the Wall Street firms.

**HOFFMAN:** You might recognize the name "Salomon Brothers" from the book *Liar's Poker*. It famously charts the reckless world of 1980s investment banking. If Wall Street was a frat house party, Salomon Brothers was the "Animal House" at its epicenter.

**HOFFMAN:** Obviously it's like a raging frat house.

**KRAWCHECK:** Yes.

**HOFFMAN:** It's extremely intolerant to women. What was the experience walking in the door?

**KRAWCHECK:** Even more, it was business as an extreme sport: How many nights did you stay up all night? How many weekends did you work? What big deal? How many planes did you catch with just a few seconds left before the door closed? It was just this very, what we today call, a toxically masculine culture. And of course, at the time, there was sexual harassment.

**HOFFMAN:** Notice how the culture Sallie's describing is toxic to both the women and the men within it. This is the danger of a monoculture; it harms everyone – but outsiders most of all. And as a woman, Sallie was definitely an outsider. If she didn't know that when she took the job, she learned it fast.

A note of warning: Sallie is about to describe some of that harassment. If you want to avoid hearing her description, just skip the next 30 seconds.

**KRAWCHECK:** I would come in every day, and there would be a Xerox copy of male genitalia on my desk, which was, for a young lady from Charleston, South Carolina, a little horrifying.

It takes a minute to realize what it is. There's this Xerox copy, "What is this? Oh my God. Oh my God." You know, you laugh now, but it was that sense of, I am being humiliated for something that is not my fault. I did not choose to be a female. These folks are trying

to run me out of here for the sport of it. How do I navigate through this? Because they're sure as hell not going to run me out of here.

**HOFFMAN:** This toxic environment had been allowed to snowball for years. Call it a frat house. Call it a swamp of misogyny. Whatever you call it, it was an extreme example of a culture born from a tragic lack of diversity.

You may think this as a problem of degrees. And it's true that Salomon Brothers was an extreme. But let's be clear: any company that breeds a monoculture puts itself at risk. You become an echo chamber of uniformity. And this causes you to lose sight of other people's perspectives. People indulge in behavior that's unacceptable anywhere else. That behavior goes unchecked. Indeed, it's often rewarded. If you don't rectify it, you and your team will become socially – and morally – dysfunctional.

Sallie stuck it out for three long years. She went to business school and then landed an internship at *Time* Magazine. She was on her way to that journalism career she had initially dreamed of. Except *Time* didn't make her a job offer. So she was sucked right back into the maw of Wall Street.

**HOFFMAN:** You had the grit to kind of work really hard. But yet it was a miserable environment. So what was the –

**KRAWCHECK:** Well, it was actually worse than that, if I could. Because a few weeks before I went to go start, I found out that my husband was having an affair. Or as I like to say, my then-husband was having an affair with my then-friend. So I not only had the disappointment of I wasn't able to make the switch and I'm going to something I don't want to do, but I've had this betrayal by both my spouse and my friend. How did I do it? I threw up in between orientation sessions, and just kept going.

**HOFFMAN:** Sallie kept going. Eventually, she discovered a love for financial analysis – writing reports advising investors on whether a company was a good or bad bet. Sallie took a position at the asset management firm Bernstein. It took her out of the frat house environment. But Sallie soon discovered that there was still a lack of tolerance for cognitive diversity.

**KRAWCHECK:** My very first piece of research published under my name was negative.

**HOFFMAN:** That “negative” means Sallie's advice to investors was to steer clear of the company she was analyzing. Her advice stuck out from the crowd. That first piece of research was on an insurer called American General. The focus of Sallie's negativity was a technical term that has become shorthand for the unchecked greed behind the financial crisis: subprime loan.

**KRAWCHECK:** I wasn't confident-confident in my analysis, but what I was pretty sure I saw is this sleepy insurance company was making what we now know of as subprime

loans. And that the growth in subprime loans was masking a deterioration in the credit quality.

**HOFFMAN:** That's right, these are the same kind of subprime loans that a decade or so later would rupture the world economy. Sallie was among the first to sound the alarm. However, in an industry that was supposed to be about truth-telling, groupthink made truth only a distant consideration. It was far more important to avoid rocking the boat. And you know how that story ended. No one listened. Sallie was swimming against a roaring tide of groupthink.

**KRAWCHECK:** Every other analyst was positive, but my first piece of research was titled, "Whoa, Nellie. American General is About to Crash," or something like that. The company told me not to publish it. Other analysts told me not to publish it. It told me that even if I was correct, by being negative I was going to be a party pooper, and no one would want to have me around.

**HOFFMAN:** There's a phrase often used in the newspaper industry when editors are faced with a contentious story: publish and be damned. Sallie was damned if she wasn't going to make herself heard. So she published. And despite what all those naysayers had predicted, she wasn't damned. Far from it.

**KRAWCHECK:** I published the friggin' thing. And was right about two months later. The others were wrong, because as it turned out, there was room for a reasonable voice – or a negative voice – when everyone was being positive.

**HOFFMAN:** The regressive groupthink had failed to suppress her. But not for want of trying. This is why groupthink is so bad. It is the antithesis of meritocracy. Good ideas are stamped out before they can flourish.

The slight upside is that those few ideas that do succeed in such an arid terrain are all the more noticable for it. But they are still at risk of being cut down at a moment's notice.

And people certainly sat up and took notice of Sallie. She quickly became Bernstein's top analyst. Within five years, she was director of research. She was now in a position to deal with an issue that had irked her since she became an analyst, but which until now everyone had turned a blind eye to.

**KRAWCHECK:** Our analysts on Wall Street were doing investment banking and research for two different sets of clients, where the conflicts were 1,000% clear. If you were giving one good advice, you were giving the other bad advice.

**HOFFMAN:** It meant an investment bank could advise their clients to do one thing, and then turn around and bet against that same advice. For Sallie, and any high integrity person, the behavior was intolerable.

**KRAWCHECK:** And I took us out of the investment banking business, gave up millions of dollars in revenue, lost analysts who weren't making as much money, thought it was over.

**HOFFMAN:** Sallie's timing could not have been better. In just a few months, the NASDAQ crashed as the dotcom bubble burst.

**KRAWCHECK:** But when the NASDAQ crash came, we were the ones who stood there as being unconflicted. And the others' conflicts came through. That's when I was on the cover of *Fortune* magazine.

**HOFFMAN:** The accompanying headline was "In search of the last honest analyst."

**KRAWCHECK:** Taking reasoned risk, not being scared to step out, not being scared not to be alongside consensus could have led to disaster – but actually led to success.

**HOFFMAN:** If there had been less of a monoculture in Wall Street, maybe more voices like Sallie's would have had the courage to speak up. And more people would have listened.

The integrity that Sallie displayed made her stand out in the monoculture of Wall Street. She went on to have positions at Citi and Merrill Lynch. She also went on to feature on the front page of another respected business publication. However, it was for very different reasons.

**HOFFMAN:** Part of what your integrity led you to is some public firings.

**KRAWCHECK:** Yes. Yes, I remember that, Reid. Thank you so much for bringing that up.

**HOFFMAN:** What was that like, being fired on the front page of the *Wall Street Journal*?

**KRAWCHECK:** I think sometimes it depends on: Do you feel like you got sent home for the right reason or the wrong reason? And a sort of tough reason to get sent home would be you missed your plans and you were terrible at your job. Happily, the reason that I was fired from Citi during the financial crisis of now a decade plus ago was because I had advocated for returning client money.

So we had mis-sold products to our clients, which the team had very reasonably but incorrectly sold as low risk, that ended up being high risk, that were supposed to go down cents on the dollar in a bad market, that went down all their cents on the dollar in a bad market. And I advocated to first the CEO and then the board, "Look guys, we were just wrong. Instead of fighting, getting sued, being the bad guys, losing our financial

advisors, let's just say, 'Look, you know what, we messed this up, let's partially reimburse you.'"

My CEO violently disagreed with me. Showing a real streak of stubbornness, I wouldn't give in. It eventually went to the board, and the board sided with me. For all your listeners, here's a pro tip: If you ever take the CEO on at the board, you will be fired. It's just going to happen. You may win, you may lose. Whatever happens in the battle, you will be fired.

**HOFFMAN:** It's a cast-iron rule: If your CEO and your board are at loggerheads, and you side with the board, don't expect mercy from your CEO – unless they are extremely enlightened. And such enlightened CEOs are very rare. But for Sallie, that firing came with a twist: she found out about it on the front page of the *Wall Street Journal*.

**KRAWCHECK:** Getting fired in that way was pretty bad, but you could say, look, I stood on my own two feet and I did what I really thought was the right thing. It cost me at the time my career, unvested stock – I mean all that stuff. But it was the right thing to do. But I will tell you, Reid, there is a whole other way of looking at it.

And the whole other way of looking at it is, I can't believe I got to do anything that would get me in the *Wall Street Journal*. Like it's really incredible, 7th grade girls who picked on me. You know, every day above ground is a good day, and we're privileged to be able to have these experiences. So if you look at it as, I never imagined as a kid that my firing would be newsworthy, it's pretty awesome actually.

**HOFFMAN:** Yeah, and that shift to optimism now brings us to entrepreneurship.

**HOFFMAN:** We'll dive into Sallie's move from Wall Street into entrepreneurship – right after this.

**[AD BREAK]**

**HOFFMAN:** Before the break, we heard how Sallie saw a huge opportunity in Wall Street's blindspot when it came to women.

**KRAWCHECK:** Today, women don't have as much money as men do. In a capitalist society, money is a form of power. Lots of people are working on the gender pay gap. We haven't really closed it, but lots of people are working on it.

There's a gender investing gap, which at the time a few years ago nobody was talking about. And when I began to realize how really substantial it is – a woman making \$85,000 keeps \$.71 of every dollar in cash it cost her, versus a similarly situated guy, \$1 million over her life. Let's pause here. Because that's start my business money, buy my dream house money, take your friggin' hand off my leg money, leave the job you hate

money, leave the relationship you hate money. Realizing there was this gap there that the investing industry, my old industry, simply wasn't closing. And that I might be uniquely positioned to work on this.

**HOFFMAN:** This is exactly what I look for in a founder – not just someone with a fantastic product-market fit, but someone who is a fantastic person-product fit. This was true of Sallie and her depth of financial knowledge. Who better than Sallie to cut through that beige haze of Wall Street and open it up to a technicolor smorgasbord of cognitive diversity?

**KRAWCHECK:** I happen to be a female, I happened to have been in the investing industry, I happened to see this. It just lit a fire in me that I needed to do this, that I couldn't leave this Earth if I wasn't helping women close these money gaps.

**HOFFMAN:** Sallie believed that her extensive network of contacts throughout Wall Street meant she'd be able to find backers for her idea. She spoke to them in a language they understood – money. And lots of it.

**KRAWCHECK:** I went to a number of the big bank CEOs and said, "Look, here are the numbers. Women control \$7 trillion dollars of investable assets, 90% of women manage their money on their own at some point in their lives. How about you do this, and I'll help you? I'll do it for free."

**HOFFMAN:** Even though Sallie had spent years wading through Wall Street's miasma of misogyny, what she heard next still shocked her.

**KRAWCHECK:** I'll never forget one CEO looking off into the distance after I told him this, and then turning back to me and saying, "But don't their husbands manage their money for them?"

Okay, listeners, you should see the look on Reid's face. It is unbelievable. It's sort of his eyes are wide open, his mouth is open. He just looked at me. Literally after I said, "Ninety percent of women manage their money on their own at some in their lives," his comeback was, "Don't their husbands manage for them?" I said, that's the problem, right there.

**HOFFMAN:** Yeah, subtitle, "I am Cro-Magnon."

**KRAWCHECK:** That's right, or, "I am using my own life experiences to project."

**HOFFMAN:** It's testament to the power of the beige haze of conformity to blind us to opportunity. Not only did that CEO who Sallie was pitching to make a reprehensible statement; he was also turning his back on a huge opportunity.

All these services were run by men. They lacked the ability to see what a big market Sallie was bringing to them. They weren't capable of even considering it because of their biases. In short, their portfolios were woefully deficient when it came to diversity.

Until now, Sallie hadn't planned to be an entrepreneur. But even she hadn't anticipated this wilful inability of Wall Street to see the opportunity she saw. Almost instantly, it transformed her into an entrepreneur.

**KRAWCHECK:** I thought, okay, if this has got to be done, I've got to do it. And it's not going to be as an offering from a big company.

**HOFFMAN:** Sallie's initial idea was to partner with a small investing firm and create content to go alongside their existing products.

**KRAWCHECK:** But what if that is actually the wrong product? What if it doesn't appeal to her? And what if, instead of blaming her for not investing – “Oh she's so risk averse,” which is not true; “She needs more financial education,” which is true, but so do the guys – that's not the issue. And sort of giving all these reasons, what's wrong with her and how she needs to change.

**HOFFMAN:** She soon realized she wanted to create something that was fundamentally different from all the investment products that were already out there. After all, they had all sprouted from a financial sector that was sorely lacking in diversity.

**KRAWCHECK:** What if we step back and build a product that's really directed to her?

**HOFFMAN:** The “her” Sallie is referring to here is a picture of the ideal Ellevest customer – she calls her “Elle”.

**KRAWCHECK:** We love Elle. We are such fans of Elle. Elle, who is the Ellevest client, age wise, she really goes from 18 to I think our oldest client is 82. But truthfully she's not about age, she's about a mindset.

She has earned her own money. She is confident in all areas of her life – with the exception of her money. She is married, and she's single, she's both. But she has agency over her own money. She wants to make the world a better place, and she sort of recognizes that a way to make the world a better place is for her to do better, for her to be successful.

**HOFFMAN:** Sallie wanted Ellevest to be the exact opposite of Wall Street. She wanted cognitive diversity. The first stage in doing this was finding a co-founder. But not as you may think one that shared her ideas.

**KRAWCHECK:** Let me go out and find a co-founder who is as different from me as that individual can possibly be. Because I've got the finance experience, but I don't have the tech experience. And for me to now try to go out and find the right CTO and the right tech product is not going to work. So let me find a co-founder – and I did.

**HOFFMAN:** That co-founder, by the way, is Charlie Kroll.

**KRAWCHECK:** We're so different that we don't agree on anything, like anything.

**HOFFMAN:** Regular listeners will know that I'm an advocate for finding a co-founder. And they need to be different to you so they complement your skill set. And while you should be fearless about having healthy exchanges and differences of opinion, I don't think you should disagree on EVERYTHING. So I pushed back a little on Sallie's statement.

**HOFFMAN:** There are some things you agree on.

**KRAWCHECK:** Okay, very few things. And it gets to the point where we talking about earlier of diversity. Where if I hire somebody like me, I'm going to have a blast, because they're like me, and we're going to have the same interests, and we're going to laugh at the same jokes.

But really to try to get someone who's as different from me as possible in order to get the benefit of diversity. If I'm the visionary, this one will be the one who buys the first computers and rents the space. If I am working the outside messaging, they're sort of building the infrastructure. If I know the financing, they know the tech. If I'm female, they're male.

**HOFFMAN:** It's a bold move that sets the tone of how the company will maintain its cognitive diversity. And Sallie sees this difference with her co-founder as being the seed that instills diversity throughout the entire organization.

**KRAWCHECK:** I have become a huge believer in the power of diversity at work. This is in part because I grew up in an industry, Wall Street, that calls itself a meritocracy, that has given poor returns for shareholders through the course of a cycle for a long, long time, but yet continues on.

And if 90% of traders just should be white men because they're just better at it, and 86% of financial advisors should be white men because they're just better at it, and the majority of managers should be white, they've better at it, so it's a meritocracy at work. Oh right, except for that financial crisis. That thing. So I didn't want that.

**HOFFMAN:** Here's the danger of a monoculture – it starts telling itself self-reinforcing stories that can diverge from reality. Sallie gave me an example of this that blew my mind.

**KRAWCHECK:** Do you know that for a long time after the financial crisis, diversity went backwards on Wall Street?

**HOFFMAN:** Really?

**KRAWCHECK:** Backwards.

**HOFFMAN:** Oh, God.

**KRAWCHECK:** And it's actually not unusual for industries that go through a period of crisis, where you circle the wagons. And what I saw was: "We'd love to promote this woman or this person of color, but we can't take the risk." So everybody reverts to their comfort, and uses that excuse, the fact that we're in the midst of this battle.

**HOFFMAN:** Sallie realized that despite all the connections she had in Wall Street, she would need to build her own network from the ground up. Sallie would work to ensure it was as diverse as possible – and put in place systems to ensure that diversity was vigorously maintained.

**KRAWCHECK:** Okay, so networks are huge. Networking has been cited as the number one unwritten rule of success in business, and men tend to have stronger networks than women earlier on, which is one of the reasons they go ahead. So back up.

One of the delights of moving into the world of entrepreneurs has been the network of female venture capitalists and entrepreneurs on the West Coast. I found my way into building that early, and it has been such a really uplifting support for me. It's interesting, on Wall Street, we just didn't have it as much among women. And I've never been able to figure out why. Someone said to me last week, they think it's maybe because we all competed against each other. Right?

**HOFFMAN:** Interesting, yeah.

**KRAWCHECK:** Where we were competing for deals, you're competing for the trade. Whereas the women out here could do business together. What I would say is, you've got to start building it from the moment you start: Who are entrepreneurs that I want to get to know who are doing similar things? Who maybe if I'm still in business, I can advise, so I can get to know them. Who can they introduce me to?

And my approach to networks is I try to do as many favors as I possibly can. But it's not about what I can get from it. It's what I can give, and give, and give, and give to it. And that it will come back to me later.

**HOFFMAN:** Even when you have made cognitive diversity your goal, you can still fall foul of your own biases.

**KRAWCHECK:** You know, there's so many mistakes, right? So you look back, and the time we wasted trying a product that ended up not working. Really some of it coming from my own biases. I mean, one bias I had early on was women have emotional blockages when it comes money. So we really just need to help them through this. This is actually a very patronizing point of view.

**HOFFMAN:** That's right – Sallie, who had fought the patriarchy, was patronizing. How did she overcome it? Feedback and building diversity. Oh, and the “she” Sallie is referring to here is Elle, that customer she was envisioning.

**KRAWCHECK:** We spent weeks and weeks on a product that would help her get through her emotional blockages. She essentially shot the bird at us, and said, "I do have emotions around money, and I'm not interested in working them through with you."

And we found she's very practical. That she didn't want to trade stocks and outperform when the Euro was up against the Yen, or anything like that. But it took the learnings. So you have to of course be okay with that. But, God, would I love to have all the wasted weeks and months back of all the mistakes that we made along the way.

**HOFFMAN:** Learning about your customer takes time. You can significantly speed up that learning by making sure that your trusted team is stocked with a wide diversity of viewpoints. This will keep bias at bay. As long as everyone in your diverse team is empowered to speak up.

**KRAWCHECK:** So it's really ingraining in the team that I don't have all the answers. And that there was an immediate, she's the boss, and she has the idea, and she had these big jobs. I had to say, "I don't. I've got hypotheses, but we have to test them."

And I'll never forget our very talented head of product, Alex Streid, and our very talented head of design, Melissa Cullens, coming to me almost shaking with the first time that my hypothesis had not proven out. And they weren't sure about what the reaction would be. P.S., women who have been successful are viewed as unlikable. Men who have been successful are viewed as likable.

So they came in with a view of, “She seems nice so far, but when we tell her she's wrong, watch the b\*tch come out.” And I just remember this like sense of relief when I'm like, “I had that wrong. All right, where do we go from here?”

**HOFFMAN:** And Sallie has a beautifully simple strategy to maintain that diverse portfolio of viewpoints.

**KRAWCHECK:** Today, we're two thirds women at the company, we're 40% people of color, our engineering team is half women. Any time we move off of those kind of diversity levels, I say, we just stop hiring, and then force everybody to make sure that we continue to have a very diverse team.

**HOFFMAN:** And she thinks of her team as a puzzle – once it snaps into place, the diversity will unlock opportunities, and cascade through the company.

**KRAWCHECK:** I think about management teams as almost being solving a Rubik's Cube. Which is, yeah, there will be gender diversity in there, which can drive cognitive diversity. But it's also, you've got X number of optimists, how many pessimists do you have? You've got so many people with experience in this industry, pull it from another industry. You've got your analytics, you've got your creatives. Having all kinds of diversity there.

**HOFFMAN:** And this combats the pervasive trickle down effect that a lack of cognitive diversity can have on your customers.

**KRAWCHECK:** Not only are there biases coming from the providers of the product, we women have been socialized in a certain way. Money is really viewed by most women as sort of the guy's thing. One example I'll put out there is all the shame around money.

When I talk to women, there's not an amount of money that we as women can earn, any individual woman can earn, that she doesn't feel ashamed about. Whether she's earning too much, because her friends aren't and they're going to be jealous, or too little because she wishes she was able to do more for her kids – whatever it is, society has really told us: shame, shame.

So we receive these insidious harmful messages about money. And we had to break through that. And then on top of that, on investing, that's a man's world. How do you know it? I know it because CNBC seems so geared toward him. I know it because the industry symbol is a bull. You don't get more male than that, being a bull, right? Not many women are like, "Oh, I love that bull."

**HOFFMAN:** "That really speaks to me."

**KRAWCHECK:** Honestly, Reid, if you'd told me these are all the things you have to do before you ever get to figuring out the product, you have to change these minds, I might not have done it.

**HOFFMAN:** Well, that's also valley of the shadow in entrepreneurship.

**KRAWCHECK:** Right.

**HOFFMAN:** Part of the thing I have deep conviction in, is it isn't just cognitive diversity in how you see the market. It isn't just cognitive diversity in how you talk to the market. But it's also cognitive diversity in how you problem solve within the company. And I've been trying to put my finger in some precise way about how to articulate that as a slogan, and I just haven't done it yet. So I'm sitting here with one of the experts who's running through the field. And I was like, "Oh, maybe there's an answer."

**KRAWCHECK:** Well you know, it's interesting, because if we think about the cognitive diversity that's driven Ellevest's success so far, we talked earlier about the brand awareness that we have, the social following we have, the way we've cut through on the topics of women and money, the fact that our cost of acquisition for our customers is a fraction of what the more traditional robo advisors are. So there's a lot of good data there. Would you believe it if I told you we have done this without a chief marketing officer?

And the way we've actually approached it has been a team of us who come together and, I don't want to say run marketing, but look to solve communication challenges, look to engage our community, look to put together communications and campaigns together. By the way, some of us actually are not in marketing, but are in other areas of the company. I pull the group together based on the different approaches and the different ages we are, the different stages we are, the different insights we have. It has worked, so far, beyond my wildest dreams.

**HOFFMAN:** Note how Sallie taps the cognitive diversity of her team to disrupt marketing. And it gives a more direct and genuine link to customers.

Cognitive diversity can seem too hard to accomplish at times. But it really isn't. Without it, you will miss opportunities. You will perpetuate fallacies. You will be lost in a haze of beige. And this has a wide impact – far wider than your company. It can alter the evolution of society and the opportunities we all have.

I'm Reid Hoffman. Thank you for listening.

If you want to hear more from Sallie on what you can do to help effect that change, stick around for a bonus excerpt from our interview right after this.

### **[BONUS EXCERPT]**

**HOFFMAN:** Hi listeners, Reid here. Sallie had so many fascinating and thought-provoking things to say about gender balance, diversity, and equality – things that are rightly very much on all our minds. I wanted to include this extra excerpt from our interview in which Sallie spoke about how we can all step up to help change the situation for the better. I found it hugely thought-provoking, and I hope you will too.

**HOFFMAN:** Actually, I want your advice both for men and women on this topic, as I think through this. So the phenomena you illustrated, which is successful women are thought of as, expletive word, let's say jerk. And successful men are thought of as a charismatic – which is kind of like exponentially wrong. What's your advice for both men and women about how to break this? How to break the stereotype, how to steer away from it, and to get kind of the counter cultural programming as we go through our work and general lives?

**KRAWCHECK:** Yeah. I wish there was a silver bullet. I think it's talking about it. And I think being aware of the research, and then fighting against it. I'll never forget going through a promotion season, major director promotion season, when I was on Wall Street, and having a guy described as “take no prisoners, aggressive, gets stuff done”. He got promoted. The woman was described in the same way, and of course we told her she should get an executive coach.

It wasn't me who caught it. It was actually a gentleman who caught it. But recognizing those double standards and talking through them. But it's just so embedded in us. There was actually a gentleman who won one of the FT awards for something like gender warrior, “one of the top gender warriors in the world!”

And I remember he and I were working on something, he kept saying to me, “God, you're so delightful to work with.” And I'm like, “So are you.” He kept saying it, and finally I'm like, “Oh, because you thought I'd be a b\*tch, because I was senior on Wall Street.” And he's like, “Yeah, pretty much.” So it's that ingrained with us. And I don't know of a better way than to talk about it. When you see it come up, say something. And this is where our male allies need to step up.

What's driving me a little crazy these days, given the environment that we're in, are all my wonderful male friends, who will email me different articles about new research on women in business, and #MeToo, and Time's Up. And they're like, “We're so with you, go.” I'm like, could you tweet it? Maybe could you tweet it to your million followers, as opposed to just tell me? We need you guys in there fighting with us. It's not a women win and guys lose. It's an everybody wins. Come on, we're overdue here.

**HOFFMAN:** Actually, one of the things that you were particularly, among a number of things that you say very well, I think particularly good is how you describe how we all win from making women more financially powerful.

**KRAWCHECK:** Oh, my gosh, right? If women have more money, it's enormously freeing for them, and keeps them out of being in vulnerable positions. For better or for worse, so many of the women who have stepped up in the #MeToo moment were not financially independent, but were financially stable. So we need to think about our sisters who are

not in the financial position of being able to step up. It's why I'm so glad that Time's Up has got the legal defense fund for these women. But to go back to the point, when women have more money, they spend more money, the economy grows. And guess what, they spend more money on businesses that are run by guys too.

When they create wealth, 90% of it goes into their communities and their families, and we give more money to non-profits as a percent of our wealth. So it's just this amazing ripple effect of positivity. We give more to female candidates, who can be more moderate candidates – it's just impossible to find a negative from these things. But I think because psychologically we judge ourselves relative to others, that if someone else is doing well, then by definition you must not be doing as well. So there's enormous backlash to the advancement of women that we're seeing play itself out in this country right this minute.