

MoS Episode Transcript: Dara Khosrowshahi

REID HOFFMAN: Hi Listeners, it's Reid. Today we're sharing an episode with Uber CEO Dara Khosrowshahi, which we think you'll find particularly timely after the recent Uber IPO. I actually interviewed Dara twice in 2018. Today's show will tackle some of the most fascinating and complex topics you can encounter, when you lead a company from startup to scale. But at its core, this episode is based on a simple, timeless story. So simple, you could tell it to your kids at bedtime. And that's how we'll start the show.

NARRATOR: Okay Jack, Amelia, do you want to hear a story?

KIDS: Yes! A Story!

NARRATOR: Ok, what story should we read?

JACK: A pirate story!

NARRATOR: Ok, you got it. "*The Adventures of Cap'n Jess Specklecrow...*"

JESS SPECKLECROW: Jess Specklecrow here...

NARRATOR: "*...and Her Band of Pirate Rogues.*"

PIRATES: Arrrrrr!

NARRATOR: Chapter 13: The Pirates Agree to Change Their Ways. Captain Jess Specklecrow and her band of cut throat pirates were counting the treasure from their latest raid aboard their fearsome ship the Masters of Sail.

PIRATE VOICE: One doubloon, two doubloons, three doubloons...

AMELIA: Excuse me, Dad. What's a ba-doon?

NARRATOR: Dubloon. It's money. They're counting their dollars.

AMELIA: Oh... One money! Two money! Three money!

PIRATE VOICE: One money, two money, three money...

NARRATOR: Jess looked across the deck at the faces of her pirate crew.

SPECKLECROW: What a sorry sight.

NARRATOR: Despite all the treasure that they had stolen, something didn't feel right to Jess. It was a feeling that had been bothering her for a while now.

SPECKLECROW: Listen up crew!

NARRATOR: ...Jess yelled. But the pirates were too busy divvying up their spoils to pay attention. Over by the for'c'sle, a pair of gnarly sea dogs were fighting over a shiny polished ruby.

KIDS: They were? Ruby? Oh, I love rubies.

NARRATOR: While over by the mainsail, a gaggle of pirates had cracked open a case of rum...

AMELIA: What's rum?

NARRATOR: Rum is a grown up drink...

AMELIA: Oh.

NARRATOR: Jess sighed, drew her flintlock pistol, took aim at the barrel of rum, pulled back the hammer, and fired.

JACK: Daddy, I have a question... I went to the zoo. And I had fun at the zoo. And we saw some peacocks.

SPECKLECROW: I said listen up! We're known for being the most ruthless band of pirates in the Silicon Isles.

NARRATOR: Arrr! Her motley crew cheered.

SPECKLECROW: We've smashed our year-on-year booty growth projections yet again!

NARRATOR: Arrrrr! The pirates shouted again in excitement.

SPECKLECROW: And our plank-walking optimization algorithm has sent more of our prisoners to Davy Jones' Locker than any other!

NARRATOR: Arrrrr! They all cried.

SPECKLECROW: But our fiendish reputation has got the best of us. It's time we put our pirating ways behind us. It's time we shaped up and become... a navy.

NARRATOR: The pirates gasped.

SPECKLECROW: A well-behaved navy, with shiny uniforms, and disciplined officers, and those things that stop you doing bad stuff. What do you call those things again?

NARRATOR: Morals. They're called morals.

SPECKLECROW: Morals! If we shape up, leave behind our low down ways, and do the right thing, we can get even more treasure. Not just for us, but for everyone.

NARRATOR: A silence fell upon the pirates. They looked at one another. Then one of them began to chant.

PIRATE: Navy. Navy. Navy.

NARRATOR: And other voices joined.

PIRATES: Navy. Navy. Navy. Navy!

NARRATOR: Until the chorus of pirate voices echoed about the rigging.

PIRATES: Navy. Navy. Navy. Navy!

NARRATOR: And the legend of Jess Specklecrow and her honorable navy lived on for evermore. The end.

HOFFMAN: Thanks to our producer Chris McLeod and his children Amelia and Jack for letting us listen in on storytime. Thanks Chris, Amelia, and Jack.

Like many stories of redemption, there's a moral to be taken from the tale of Captain Jess Specklecrow and her pirate gang. It's an obvious one that even an easily-distracted 4-year-old can grasp.

But that said, it's a lesson many founders forget. There's a romantic notion that startups should behave like a band of pirates as they fight their way, hook and cutlass, towards scale.

And there's nothing wrong with that. It's a view I wholeheartedly agree with – as long as you keep a firm grasp on your ethical compass, and realize that your days as a swashbuckler must give way as your company matures.

I believe that every startup must transition from a band of roguish pirates into a disciplined navy. Get the timing wrong, and you'll quickly be lost at sea.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, founder of LinkedIn, partner at Greylock, and your host. And I believe that every successful band of roguish pirates must transition into a disciplined navy. Get the timing wrong, and you'll quickly be lost at sea.

For decades now, startups have had an affinity for pirates. And it began – like so many things in tech – with Steve Jobs. When Steve was building the first Macintosh, he coined the phrase: “It's better to be a pirate than to join the navy.” The Mac team got on board, creating a homemade pirate flag, with a rainbow-colored Apple logo as an eyepatch. In Silicon Valley, the pirate image stuck.

It's easy to be seduced by this image of the entrepreneur as pirate. Who doesn't want to leap across the rigging, cutlass in hand, like Johnny Depp. And look, early-stage startups are a lot like pirate ships. Pirates don't convene a committee meaning to decide what to do – they strike quickly, break rules, and take risks. And you need this buccaneering spirit to survive when the cannonballs are flying and the odds are against you.

But some startups cross the line from swashbuckling hero to dirty rotten scoundrel, especially as they grow. You can tip from a culture that joyfully flaunts orthodoxy, to a culture that truly believes that winning is all that matters, and ethics be damned. And there's a second problem with piracy: It doesn't scale.

If you succeed as a pirate, your stockpiles of treasure will grow. The territories you control will widen. But you can't protect and patrol that much territory with only a ragtag fleet of pirate ships.

This is why every startup needs to shed its pirate nature at some point, and evolve into something more akin to a navy – no less heroic, but more disciplined, with rules of engagement, lines of communication, and long-term strategy.

I wanted to talk to Dara Khosrowshahi about this, because in accepting the role as Uber CEO, he's taken on the most extreme pirate-to-navy transition I've ever seen. Uber blitzscaled to become the most valuable startup in the world; it also became notorious for a toxic culture, rife with discrimination and questionable business practices.

Uber has already secured its place in business history. Whether it's seen as a success or a cautionary tale (or both) rests on Dara's ability to transform the company from a pirate ship to a disciplined navy fleet.

Throughout his career, Dara has built a reputation for running very large, very successful organizations with no drama. In other words: He's a classic naval leader. He was primed from a

young age to act like an admiral, not a brigand. During his childhood years in Iran, his father would often bring him to work at the factories of the family business.

DARA KHOSROWSHAHI: When we went to these factories, he was beloved. The employees just loved him and the way that he spoke with our employees was just amazing. It was very human.

HOFFMAN: It made a huge impression on the young Dara.

KHOSROWSHAHI: My father is the most modest person alive and he never confused his position of authority as a manager with his position as a human.

HOFFMAN: In 1978, Dara's family was targeted by radical opponents of Iran's then-leader, the Shah. Dara's family escaped to the US. After the revolution in Iran, their business was nationalized and lost to them.

KHOSROWSHAHI: Our whole family was in this business and worked together. So to see that connection lost was very tough. I didn't understand it until later in my life.

HOFFMAN: The family slowly started over in America.

KHOSROWSHAHI: What it taught me was that when you think you've lost everything, you really haven't. The opportunity to rebuild showed me that you can take risk; that failure isn't final; that you can get back up, dust yourself up, and get going again.

HOFFMAN: This resilience in the face of adversity – the belief that things can and will work out – is essential for any leader. And especially when leading through a turnaround. That skill will come in handy later in the story.

But Dara's first job out of college was with the media investment bank Allen & Company in New York. It's here he met the iconic media executive Barry Diller, who was a client. In truth, the two never should have met.

KHOSROWSHAHI: I was the grunt who was doing the grunt work – which then should have translated into a beautiful presentation, which a wonderfully polished vice president would deliver to Barry Diller. Barry didn't want that. He wanted to know the person who was running the numbers because he wanted to make sure that those numbers are right.

HOFFMAN: Barry relied on Dara for the facts.

KHOSROWSHAHI: I remember distinctly, Barry Diller hovering over my computer saying, "When are you going to print out the new spreadsheets so we can take a look at it?" I'm under pressure. I'm sweating in my suit at the time – and Barry's waiting for the

printout to happen, impatient for these slow laser printers. And then we would go for the printout and he wanted to understand himself, and he wanted to go to the source.

HOFFMAN: By hovering over Dara's desk, Barry was bypassing the hierarchy that can make a navy slow to react – or keep the truth from those in command. Barry grew to rely on Dara for this kind of unfiltered truth, and he soon enlisted Dara as a commodore in his new naval command.

Dara ran a lot of things for Barry. He started at USA Networks, and later became Barry's CFO at Interactive Corp or in short, IAC. In 2005, he became CEO of the travel website Expedia, owned by IAC. Expedia was experiencing intense competition. And some hotel chains had withdrawn from the site. It was up to Dara to turn the company around before its problems got too serious.

KHOSROWSHAHI: I was working harder than I ever had. I was in every single meeting. I was working day and night. I was making decision after decision after decision. I thought I was doing a great job. I had no idea.

HOFFMAN: Dara had been at Expedia for just one month. But already he had set a tone of openness and honesty. It meant that employees felt free to speak their minds with him.

KHOSROWSHAHI: I had an eye opening moment when a young product manager – Jenne Pierce, I still remember her – came to me just to shoot the breeze at my office. She came and said, "Dara, you keep telling us what to do instead of telling us where to go. And we like you. So if you tell us where to go, we'll figure out our way there. But if all you do is tell us what to do then whenever you're not in a meeting, nothing happens. So can you just tell us where to go and then let us get there?"

HOFFMAN: In one sentence, Jenne transformed Dara's trajectory as a manager.

KHOSROWSHAHI: For me, it was like, boom, eye popping. I had to really work very, very hard – because I was a bit of a control freak – to let go of what people are doing and really start talking about where we're going, and trust my team to get us there.

HOFFMAN: Dara had just learned an early lesson in running a navy. From the outside, it might appear that you command a fleet of ships by telling each one exactly what to do. But that's not how the chain of command works. The admiral doesn't tell each submarine commander the precise depth to dive to. The admiral gives broad direction and trusts that their officers know what to do.

This trust, this training, and this kind of decentralized leadership are what define the most successful navies and distinguish them from the pirates. This combination of strong local leadership and a strong centralized chain of command is what defines the most successful navies and distinguishes them from the pirates.

HOFFMAN: Dara successfully grew Expedia into a \$23 billion dollar giant that won praise as one of the best-managed companies in its industry. During his tenure as CEO, Expedia more than quadrupled its gross bookings, demonstrating Dara's ability to command a major enterprise through a period of significant growth. And then, everything changed.

HOFFMAN: You get a phone call. The phone call says, "Hmm, we'd like you to consider Uber." Why did you take the phone call?

KHOSROWSHAHI: At first I didn't. I said, "Why would I do that? I'm in such a great spot." Actually, I was comfortable. I was blinded that the goal of life shouldn't be comfort.

HOFFMAN: Dara remained comfortable at Expedia. But then a second call came in.

KHOSROWSHAHI: I had a drink with actually Daniel Ek at Spotify. And Daniel asked me, "Have they called you about this thing because I recommended you for the job?"

I said, "Yeah," but I said, "No way. Why would I do that? I'm in a great spot. I'm happy."

Daniel looks at me and says, "Dara, since when is life about happiness? It's about doing something great. This is important. You have to do this."

HOFFMAN: Daniel and Dara were both right: The role at Uber was important. And it would certainly not be comfortable. Lets recap Uber's situation at the time:

Uber's mission was to make transportation as easy to access as running water. The company grew incredibly quickly as it pursued this mission, fueled by over \$22 billion in VC funding.

But as the company scaled rapidly, so did its toxic culture and bad business tactics. These led to a constant stream of nasty and very public challenges. They included political infighting, allegations of corporate espionage, and criminal investigations.

Then there were the many run-ins with regulators, taxi firms, and even Uber's own drivers. Uber saw a backlash in its key markets and withdrew from some, such as China. Back home, Uber's controversial approach to charging higher fares at peak times came to a head with the #DeleteUber campaign.

This was all against the background of Uber's aggressive "bro" culture and its cavalier attitude to spending. In February 2017 – six months before Dara became CEO – a blog post by former Uber engineer Susan Fowler blew the lid off the misogyny and harassment that was rife at the company.

Arianna Huffington became deeply involved in trying to fix the company's culture. She was the only woman on Uber's board of directors at that time.

ARIANNA HUFFINGTON: It was very important for the board to make it very clear that we were taking the accusation seriously, that there was going to be a full investigation, and that we're going to hold management accountable.

One of the things I said was something that goes beyond what's happening at Uber, which is the whole culture of worshipping at the altar of hypergrowth, and therefore, if you are a top performer, anything is allowed. I said, "I promise that going forward, no brilliant jerks will be allowed at Uber."

HOFFMAN: Arianna and the board set out to rid Uber of "brilliant jerks." But a lot of work remained for Dara. Looking at what Uber had been through – and was going through – Dara knew he would need to build trust quickly. To do this, he needed unfiltered truth. And like an admiral stepping aboard a flagship: full control.

Dara made this clear during a presentation he gave to the Uber board during his interview for the CEO position. One of the slides in that presentation said, "Don't call me, I'll call you".

HOFFMAN: Were you nervous about putting that slide in?

KHOSROWSHAHI: I was nervous about putting that slide in. But I thought that it was very important for my relationship with the board to be one of truth and to be a frank relationship that would set us both up for success.

If I'm coming in as a CEO, I've got to have authority. I needed room to effect change and to move the company in a different direction. It was my way of telling the board and some of the founders that give me the authority and then judge me based on my actions.

HOFFMAN: Dara set the tone of his relationship with the board before he was even offered the job of CEO. It was a gamble to speak this way. But Dara knew that the only way he could take on the challenge of Uber was on his own terms. And one of those terms was unfiltered honesty.

KHOSROWSHAHI: I think sometimes, communications that are just dead honest are tough but you have to force yourself to have those discussions because you get to the core of the expectations and relationships – and ultimately they drive very healthy relationships between individuals or companies or boards and their CEOs.

HOFFMAN: Well, honesty, especially difficult honesty, is how you build trust.

KHOSROWSHAHI: Absolutely.

HOFFMAN: Right. Because like, "Okay, look, I'm being straight with you. This is how we need to operate. If you disagree with me, talk to me about it."

HOFFMAN: The board chose Dara. He had walked into a situation surrounded by some very public controversy. What was that like? I asked him.

HOFFMAN: So then you start. You already know that there's a lot of things broken: broken relationships with governments, bro culture, blog posts, and all the rest happening outside. There is critiques about being overly aggressive and not very ethical in terms of business practice. What does the first week look like walking into that?

KHOSROWSHAHI: I'm listening to you, I'm sweating because I'm remembering that first week. I think one of the wonderful surprises for me coming in was that the public perception of the company was so different from the people that I found at the company when I joined.

The people, these are unbelievably smart people who can get another job at a drop of a hat. But the team that was there, they wanted to fight because they believed in the company. That was one of the most delightful things when I got in, which was there's a group of warriors who were fighting for the company.

HOFFMAN: Dara knew that most people at Uber were not pirates. But the culture there had promoted piracy for many years. And I think it's important here to draw a distinction. While all startups have pirate-like qualities – scrappiness, inventiveness, rule-breaking – there's a difference between ethical pirates and criminal pirates.

Ethical pirates may ignore conventional rules, but they're driven by their own strong moral code. Think Johnny Depp in "Pirates of the Caribbean". Criminal pirates have no such moral compass. How can you tell if your company has crossed the line?

The broad question you should ask yourself is, "Am I a creator who is trying to improve the state of the world for everyone, or am I a thief who is just trying to grab things for myself?" In creating a company, you are creating something for yourself. But you also need to be making a wide variety of consumers and businesses better off.

Dara knew that in transitioning from pirate to navy fleet, he'd need to firmly end the era of criminal pirates at Uber, while encouraging the many ethical warriors he found among its ranks.

Dara took an approach he'd built since the days in his father's factory, his time with Barry Diller, and then heading up the navy at Expedia. He wanted a culture that would arise naturally out of the good people still at Uber, the people who recognized the difficult things about the company, but still believed in it.

KHOSROWSHAHI: I remember, there was a Jeff Bezo's letter a couple of years ago where he said that the culture of the company defines itself. In an ideal world, I could work at the company for two, three years, understand what the culture is and not have

culture be top down: “I want the culture of the company to be X because I said so.” Help the culture define itself. But we didn’t have time for that.

HOFFMAN: Instead, Dara gathered his team of captains and they looked through cultural suggestions from the entire crew. Before Dara, Uber’s cultural guidelines ranged from the sober likes of “Be Yourself” to full-on bro-tastic maxims like “Superpumped” and “Always be hustlin’”. It was time for a sweeping change.

KHOSROWSHAHI: So we crowdsourced actually from our employees: What do you think should represent the culture of Uber going forward? There were some themes that came to the surface. As a team then we got together and we picked the themes that we thought were the most relevant themes and we created what we call our new cultural norms, the Uber 2.0 cultural norms.

HOFFMAN: Some of these were continuations of the old norms. Some were totally new. And some were squarely aimed at overcoming the earlier toxic culture.

KHOSROWSHAHI: We celebrate differences. We want to be a different company but we also celebrate differences and background and where you come from and religion and sexuality, et cetera, and we believe that no matter what you bring to the table, you should be able to contribute to what we call Uber.

HOFFMAN: And there was one cultural value in particular that harked back to what Dara had learned in his first month at Expedia: trust that your crew will know what to do.

KHOSROWSHAHI: The simplest that I hear repeated over and over is: We do the right thing, period. We didn’t want to define to the employee what the right thing is. You know what the right thing is. Let’s do that and, period, that’s what we do.

HOFFMAN: “You know what the right thing is.” This is something that you need to remind yourself and your team of, no matter what stage of scale you are at. Because while startups and their founders benefit from behaving like ethical pirates, they should never behave like sociopaths, thieves, or criminals. The key is to assess whether or not you’re being an ethical pirate.

Ethical pirates have ethics that most of their crew members share. The executives and employees following a leader should ask themselves: Are we on a mission to improve the world, or are we just in it for the gold? Do we truly care about the importance of diversity and inclusion for our team? Are we creating mutually beneficial relationships with managers and employees?

If you’re working for an ethical pirate, you should feel proud of your shared values. Dara had a clear mandate – from Uber’s board and customers as well as the public – to transform the culture at Uber. It was time to give up the pirate’s Jolly Roger for the flag of a disciplined navy.

KHOSROWSHAHI: The radical scale success of Uber that was unprecedented at the time, I think, led to a culture that was highly confident, a culture that was confrontational, a culture that to some extent celebrated breaking the rules.

All of which made possible what Uber built, but which created a blind spot as to individual's respect, respect for diversity of different viewpoints, et cetera, that led to Susan Fowler's blog – which by the way wasn't the only difficult occurrence happening at the company.

HOFFMAN: I want to be clear here: The type of awful behavior that was rampant at Uber is in no way necessary to build a winning scale company. And you should not tolerate such behavior as an acceptable cost of reaching scale. In fact, you want to make sure such behavior never takes root, and is never tolerated, in your band of ethical pirates.

But the problems with piracy go beyond ethics. Pirate ways just don't scale. As a startup succeeds, it needs new organized systems – and new, organized people – to run a large operation. And the transition from pirate to navy is tough logistically and culturally, even for ethical pirates

My favorite analogy for entrepreneurship is that it's like jumping off a cliff and building an airplane on the way down. Pirates don't convene a committee meaning to decide what to do when the ground is approaching.

PIRATE 1: Arrr! Land Ahoy!

PIRATE 2: Hard to port!

PIRATE 1: But we haven't built the rudder yet!

PIRATE 2: Arrr... then set up a conference call and tell the crew to dial in!

HOFFMAN: Instead, they act quickly and decisively, and are willing to take risks because they know if they don't, it's death.

Many founders of companies that have reached massive scale will light up when you talk to them about their early pirate days. And each will have their own swashbuckling tale of how they made the transition. Here's MailChimp founder Ben Chestnut.

BEN CHESTNUT: Oh my God, when you're a startup founder, it's all pirates. Who joins a startup? Crazy people, because startups are so risky. They've got a chip on their shoulder. They've got something to prove. They don't want rules. They want to do everything. They want to build the whole house.

HOFFMAN: This is why there are so many serial founders. Once that house is built, they move on to the next project. Those that stick around usually enlist help.

CHESTNUT: Then what they do is they build something great, and then they hire other people to maintain it. And those people are different. Those people hire another cohort, a third generation of employees, who hired a fourth generation. These people want leadership. They want strategy. They're joining a winning company at this point, if you're lucky. They don't remember what it was like in the startup years when you're all pirates and crazy people and you're on the brink of death every single day and the boogiemer was lurking around the corner. These are people who are, they want to scale this thing up.

HOFFMAN: Ben is one of the founders who decided to stick around.

CHESTNUT: It's a whole different demeanor. I think this is where a lot of founders probably choose to walk away and it's very difficult to stay – but we stayed.

HOFFMAN: Dara would have to lead Uber through a cultural transformation, from pirates to navy. But for Uber to thrive as a global business, he'd need three key elements in place.

The first is a set of country managers who are responsible for their individual markets.

The second is an understanding of how those markets differ.

The third is a unified executive team, which creates a centralized command center.

Under Travis, Uber actually had the first two. There were strong regional managers, and a decentralized command structure that allows the individual "captains" in the fleet to operate with entrepreneurial vigor.

However, it was the third crucial element that Uber was lacking. This element is a unified executive team to coordinate global operations, including the activity of the individual country managers.

Travis had failed over and over to unify his executive team. Executive meetings were canceled at the last minute; back-biting and infighting were the rule, not the exception.

When you have strong individual captains and an admiral who can't or won't build a staff to help manage the fleet, you end up with a disorganized group of unscrupulous pirates. This creates the potential for organizational collapse through a runaway cultural degeneration.

What Uber needed was a centralized command that enforced and rewarded ethical terms of engagement. Before Dara joined the company, every encounter was treated as a confrontation.

Instead of hailing other ships to offer a negotiation, Uber would steam right in, broadsides of cannons blazing, with a take-no-prisoners attitude. It was gunship diplomacy without the diplomacy.

HOFFMAN: At least one thing I see from the outside is with Travis and previously, Uber would have what I would call a pugnacious culture. It would be a tendency to say, “You challenge me, I hit you harder,” right? Whether it’s government, whether it’s videos of arguments with Uber drivers, all these sorts of things. That seems to have changed.

KHOSROWSHAHI: It was an important shift. And I think to some extent the pugnacious nature of the company got it into trouble but also to some extent is responsible for the fact that it’s a terrific company that I’ve got the pleasure of being able to run.

HOFFMAN: This is an important point to remember: When you become an honorable navy, it doesn’t mean you are a toothless diplomatic corps. You still need to be an effective fighting force – but one that is a lot more strategic in projecting its power.

KHOSROWSHAHI: But it was clear to be that we needed to change strategies. It was clear to me that what got us here was not the right way forward. I firmly believe that when you work in a industry like ours, in a technology industry and the transportation industry – which is a \$5 trillion marketplace – the world is not a zero sum world. So just because someone wants something, it doesn’t mean that you have to give it up. There’s actually room for dialogue and compromise.

HOFFMAN: One area Uber was known for being particularly combative was in its relationship with its drivers. This was highlighted in the video of its founder Travis Kalanick yelling at an Uber driver. Dara takes a markedly different approach, not unlike his father on the factory floor in Iran.

KHOSROWSHAHI: The vision with the drivers is that we call them driver-partners, and let’s treat them like driver-partners. Actually, when I got here, a group of employees, and these are the Uber champions, they had actually gotten together to create a program called “180 days of Change” to fundamentally listen to our drivers and change the product – based on the dialogue with our driver-partners – things like tipping, things like paid wait times, so that we’re really building something for them. And I think it’s a fundamentally different way of working.

HOFFMAN: Of course there are still many issues between Uber and its drivers and, as the company evolves, there will be more to come. But I am sure that we will never see Dara screaming at an Uber driver. This is what he told me when we spoke in December, after a little more than half a year at Uber.

KHOSROWSHAHI: I think one of the traps that I see with technology companies or executives in general is you lose touch with the outside world. You know, San Francisco, it's a bubble here. And for me, one of the first things that I did and now I do it as a rule whenever I go from city to city is, I meet with drivers and they're pretty damn honest with the stuff that they like, there's a lot of stuff that they like – and there's plenty of stuff that they don't like. And that connection, I think, was something that was missing. Maybe just because the company was busy, we're growing to fast.

HOFFMAN: Dara is seeking a direct connection with Uber drivers. It's the same impulse for unfiltered truth that brought Barry Diller to Dara's desk all those years ago. This doesn't mean that Dara literally has to have a one-on-one with every driver. He just needs to make sure that his officers are of such a caliber that they will have no problem bringing that unfiltered truth to him.

KHOSROWSHAHI: Now we have a fundamental connection there that is reflected in the organization, we have a driver product team, and we now fundamentally build our product with the driver. We talk to them, we have a dialogue with them, and we build with them. That kind of connectivity with our driver-partners, I think, creates a win-win and it creates mutual respect.

HOFFMAN: It wasn't just drivers Uber frequently clashed with. The company has famously fallen out with regulators across the world. Again, Dara's approach here is one of dialogue rather than dissonance.

KHOSROWSHAHI: So I think from a government standpoint – and I'll put government regulators in one box – what wasn't happening, which now is happening, is honest plain-spoken dialogue.

HOFFMAN: One example is TfL, the authority that oversees transport operations in London. Uber came close to losing its licence to operate in the city.

KHOSROWSHAHI: When I sat down with TfL in London, what I discovered about the history there is that TfL was asking perfectly just questions, that there was nothing weird or unusual about their requests, but the conversation and the dialogue was happening through lawyers versus two people sitting across the desk talking, maybe not agreeing on all things, but trying to come up with some compromise.

It's just the realization that there are needs that governments and regulators have, there are needs that private companies have, and there's an overlap some place where both can coexist peacefully.

HOFFMAN: Of course, it won't be possible to come to agreements everywhere.

KHOSROWSHAHI: We pulled out of Barcelona just because we fundamentally disagree with something that the city government did, it was designed to protect taxi cabs versus consumers – and when that happens, we won't do business there. But an honest dialogue with a give and take, I believe, is going to move us into a position of partnership with governments and regulators.

HOFFMAN: Dara is also envisioning a way that being more open and inclusive will propel the next stage of Uber's business.

KHOSROWSHAHI: I won't pretend that it's easy. But one of the strategic pivots that we have taken is to think about Uber not as a service but as a transportation platform. Think of it as Amazon transportation. You can take a bus, you'll be able to take a car, you'll be able to take a train, you will be able to take a taxi using Uber. It's a win for the consumer because the more choices I've got, the more pricing I've got, the better the product is.

HOFFMAN: Another way I think of putting it is saying, "Because we're a platform, we're giving you a chance to include you in the future."

KHOSROWSHAHI: That's right. That's right. And I think technology companies have been accused of not being inclusive and I think, by the way, that criticism to some extent has been fair and we want to pivot our strategy so that it is a bigger, inclusive strategy.

HOFFMAN: Uber began its journey as a band of pirates, hell bent on radical disruption. And disruption is often portrayed as destructive. But part of economic progress is disruption. Ironically, the disruption beloved by pirates has been essential to Uber's belated transformation into a navy. But it is the disruption of its culture, not of its business model, that has been key. And Dara recognizes that it is an ongoing struggle.

HOFFMAN: Was there a moment in the internal cultural transformation where you suddenly felt like, "Okay, we've dug ourselves out, we're now on the right path"? Like a conversation, a realization, an event that happened that you went, "Ah, yes, this is exactly... we're on path."

KHOSROWSHAHI: I'm still waiting for that moment. I think the cultural transformation, it is hard. It continues. It takes a long time. Just because you say something, it's not necessarily actioned at all levels of the company every single day. I don't live up to all of our norms every hour of every day. This stuff takes a long time. I think we are in a much, much better spot than we have been, but I'm not comfortable at this point.

HOFFMAN: Truth-telling remains a crucial element.

KHOSROWSHAHI: The singular rule of CEO life, is that the higher up you move in a company, the less you really know what's going on. The only way that I found to figure out what's going on is by telling the truth.

So when I communicate to my employees, I talk about the good stuff but I talk about the bad stuff. I don't sugarcoat it because then when you tell the truth, your employees are like, "Oh wow, this is okay to talk about the bad stuff."

So the next time you see them and you ask them, "How's it going?" You may not get the answer, "Great, everything's fine," and they hiding actually, they're panicking in the background, like, "Listen, we've got a problem."

HOFFMAN: And this is the defining upside of being a truth-telling admiral rather than a fear-mongering pirate lord.

KHOSROWSHAHI: Usually you hear about the problems when it can't be solved or it's too late, they come to you before it's too late. You have the privilege of seeing the truth because your team knows that you say the truth. It's simple but really hard.

HOFFMAN: The key thing is obviously you can't work on the problem together unless you're talking about it.

KHOSROWSHAHI: Absolutely.

HOFFMAN: I agree with Dara: It is simple. And really hard. We're releasing this episode just after Uber has gone public – as the company enters its next stage as a global, navy fleet, with Dara as Admiral.

And if you hope to make a similar transition some day, from a startup pirate ship to a formidable mission-focused navy, here's my advice to you: Make sure during your pirate days, you fly the flag of spirited ethical behavior, and never let it slip from your mast to be replaced by the skull-and-crossbones.

I'm Reid Hoffman. Thank you for listening.