

MoS Episode Transcript – Tory Burch

LEHUA KAMALU: The job of the navigator is to see as far into the future as you can, to make decisions that are going to protect your crew and your vessel, and to make sure you're going on the right path.

REID HOFFMAN: *That's Lehua Kamalu, a navigator who captained an epic journey around the world in a traditional Polynesian double-hulled canoe. And if Lehua's voice sounds particularly resonant, it's because she's speaking from the stage at our very first Masters of Scale Live, recorded in Boston this July. Lehua's story opened the evening's event. And the music you'll hear was performed live from stage. I'll let Lehua tell the story from here.*

KAMALU: We set sail from Tahiti to Hawaii on a Polynesian double hulled canoe designed like the ones my ancestors sailed.

We'll travel for 2,500 miles and 17 days, a journey over open ocean so long and technically challenging that historians didn't believe my ancestors could have sailed it. My crew and I sail the way our ancestors did, and every time we sail this route we prove yet again what our ancestors were capable of. We don't use modern instruments, not even a compass.

We set sail from Tahiti in May 2017. The first seven days go by fast. We're banking time, knowing the most unpredictable waters lie ahead. Seven days into our journey, we hit the doldrums, the flat calm that you can find at the equator.

The wind and the water are completely still. Clouds cover the stars. When you're in the doldrums, it's easy to lose faith. There are stretches of hours – and even days – when almost nothing happens. And we have to be patient – but it isn't a lazy patience. It's a vigilant, watchful patience. You're always looking for the signs. If you miss them, you can find yourself lost at sea.

On the eighth day of our trip – and second day in the doldrums – the weather starts fluctuating, and a layer of clouds so thick that the sun can't shine through at all. It's pitch black. You can't even see the waves, but you can feel them. What we're getting is just wall after wall, after wall, after wall of water. I feel the force of each wave as it punches the side of our canoe, it's like boom, boom, boom. You're in this rhythmic pounding. For five days, we have these super intense waves and total darkness.

So we look and we wait, and we look and we wait, knowing that the sign will only be there for a moment, and we have to be ready to move. Finally, on that fifth day of darkness the sun was able to penetrate the clouds for just a moment with this diffuse intense red light, which we started calling “the dragon eye.” It's the most blood red sunset I've ever seen. It's a sign and I know what it's telling me.

I know exactly where the setting sun touches down. I can take stock of my entire horizon, of the wind, and the ocean, and the waves as they relate to this sign. Everyone is really excited now, because they know I've been looking for this. We've all been looking for this.

So when I spot that unforgettable sunset, I realize I've gone a little too far west. I instantly correct course. I hone in on my target: to get to the latitude of Hawaii on the east side of The Big Island. I'm confident now and I'm getting continuous signals that I'm on the right path. We've held patiently in these uncertain waters holding our ground, but now it's time for speed.

HOFFMAN: That was Lehua Kamalu, the first woman to serve as both captain and lead navigator for the Polynesian Voyaging Society. The trip she just described was the last leg of a voyage circumnavigating the globe.

Lehua's story is a perfect metaphor for leadership. Great captains and great CEOs both know you can't move fast every minute of the journey. If you're going to go the distance, you have to recognize that the conditions around you are always changing. You have to be strategically patient, but that doesn't mean sitting back and waiting. It means leaning in and watching for the moment to break out and move fast. I believe that to scale a sustainable business, you need to combine patience, patience, patience – and move with explosive speed.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, founder of LinkedIn, partner at Greylock, and your host for the very first evening of Masters of Scale Live, here in Boston.

On each episode of the podcast, I set out to prove a theory about how businesses scale. Tonight will be no different. Over the course of the evening, I'll try to prove the theory that in order to scale a sustainable business, you have to combine patience, patience, patience – and also explosive speed.

If you listen to the podcast you know that I'm a big believer in what I call blitzscaling: moving with explosive speed to capture our market. So you may be surprised to hear me champion patience, but patience doesn't mean slowness. Patience means choosing the moment.

VOCALISTS: You've got to choose your moment. Choose it now.

HOFFMAN: Okay guys, that's good. Got it.

VOCALISTS: Okay, Reid, I guess the moment is not right now.

HOFFMAN: To imagine the kind of strategic patience I'm talking about, picture a great blue heron, you know those stately birds with impossibly long legs and beaks. A heron will stand perfectly still in a marsh. It might appear to be quite lazy. That is until it spots a fish. Then it strikes with incredible speed and precision. Because we're in the room together, I can show you what I mean.

HOFFMAN: *Sorry to break in again, but I have to explain what the audience is seeing here. So on stage there's a video playing. A heron, this fish-eating bird with long legs and an S-shaped neck, just standing in the water. It could almost be a still image except for the barely noticeable ripples in the water. The bird is patiently waiting to strike its prey. And waiting. And waiting.*

HOFFMAN: Imagine this patience?

HOFFMAN: *The heron slooooooooooooooowly stalking its prey – and then striking – is a living embodiment of strategic patience that pays off.*

HOFFMAN: And there we go!

HOFFMAN: *You can watch the video for yourself at [MastersofScale.com](https://www.mastersofscale.com). This kind of patience isn't lazy. It isn't about moving slowly. It's about watching carefully for your moment – then moving with certainty and speed when the time is right.*

I wanted to talk to Tory Burch about this because she built a billion dollar business from the ground up, by speeding forward when others might have hit pause and showing watchful patience when others may have gone full tilt, or worse, given up.

What strikes me most about Tory is that from day one, her business plan centered on building a foundation to help women. The company would exist to support the foundation – not the other way around. That idea was ahead of its time. And as you'll hear throughout her story, that's where the strategic patience comes in. With that, let's go back to the live recording.

HOFFMAN: Before we welcome Tory to the stage, I should add one more thing. Those of you who listen to Masters of Scale are probably used to what I call my “podcast voice.” But actually, I talk like this, and when I move over to the interview chairs, you'll hear the real Reid voice, right? But right now I'm behind the mic. So “podcast voice” it is.

And with that, please welcome to the stage, the wonderful Tory Burch.

I am so pleased that you could join us.

TORY BURCH: I'm so happy to be here. We've been trying to do this for so long.

HOFFMAN: Yes, exactly. And of course not New York, not Silicon Valley. Here in Boston.

BURCH: In Boston.

HOFFMAN: So let's start with your childhood. Your brother described your childhood as "Huck Finn meets Andy Warhol."

BURCH: That's true.

HOFFMAN: Tell me what that looked like.

BURCH: There's perception and reality, and I think people have this vision of how I grew up, and it's the opposite of how I grew up. I grew up on a farm in the middle of nowhere with three brothers and we spent our entire time outside, and our parents would travel and leave us at home. So we were left to our own devices, a lot – and we had the best time. We were very into sports. And as I said, it was the middle of nowhere. So we really had to make due and we didn't have a lot of friends around.

HOFFMAN: So that sounds like the Huck Finn part. Where does the Andy Warhol come in?

BURCH: The Andy Warhol must be that my parents would have all of these, we always said "random people", to dinner. We never would know who. So they had this – it could be the plumber, it could be a poet, it could be an artist. And it was always insightful, and we were always intellectually curious to understand all different kinds of people. And it was always about inclusivity and accepting people from all kinds of places.

HOFFMAN: Now I was surprised when we were prepping for the interview, but is it true that you had very little interest in fashion until your teens? What sparked the interest?

BURCH: I had no interest. I didn't put on a dress until, I think, junior year for prom, and I was a total tomboy. So no, I had no interest in fashion – that's true.

HOFFMAN: So another thing that surprised me to learn is that you were apparently quite a prankster – and this started early. I hear there was one particularly epic prank you played on your brother. Would you tell us that story?

BURCH: So there's so many, but one of my brothers – I have three. And he would come out Christmas morning and be so pleased because he would have more presents than any of us. So I spent a good portion of the night before wrapping anything I could find around the house. So blenders, rocks. And he came down and he was so happy – until he started unwrapping. And it's still, to this day, quite humorous.

HOFFMAN: Have you ever given another wrapped rock?

BURCH: No, but I will. That's a good idea. Pet rock.

HOFFMAN: Yes, exactly. So apparently you also got your first job in fashion by cold calling. And how was cold calling a way to essentially punch above your weight?

BURCH: First of all, I'm always out of my comfort zone. So cold calling is definitely an example of that. And my mother used to say, "What's the worst that can happen? They can say no." And they often did.

But I called a designer to get a job in fashion. I wasn't really even interested in fashion. I was just trying to get a job to move to New York after I graduated from Penn, and I called him and he said, "You can start, but it has to be next week." And I was graduating on Friday, moved to New York, and started a job on Monday.

HOFFMAN: Wow. Usually I actually recommend, because of LinkedIn, that people get a warm introduction.

BURCH: Yeah.

HOFFMAN: But you may be the enormously successful exception that proves the rule.

BURCH: I think he just needed the help, to be honest. He was desperate, and I was available.

HOFFMAN: Well, but you know, it worked out. So you describe yourself as a shy person. Did that make it unusual to do the cold calling and then later go into this entire world of entrepreneurship? Because usually people don't think entrepreneurs are shy.

BURCH: Yeah, I mean it's been incredibly hard actually. I'm incredibly shy. I've had to be out of my comfort zone, and I had to push myself. And when you think about starting, after I decided I wanted to start a company to build a foundation – that was my business plan – my parents said, "You have to buckle up and thicken your skin. Negativity is noise."

Because they knew that I was shy, and also took things to heart. And I think when you're a sensitive person and you go into a business in fashion – or any business for that matter – you have to be ready to go through some challenges.

HOFFMAN: *Because this is the podcast version of the live interview, I get to rewind. And I want to make sure you caught what Tory just said.*

BURCH: I wanted to start a company to build a foundation – that was my business plan.

HOFFMAN: *It's true. Tory's original business plan centered not just on a fashion line, but on a non-profit she wanted to build to help women. It was a radical idea ahead of its time. And so the idea for the foundation would have to wait patiently, until the time was right. But Tory moved forward with speed on her idea for the business.*

HOFFMAN: This is one of those key entrepreneurial junctures. When did you know "I want to start a company"? What was the kind of motives and the drive for that?

BURCH: I had a great career and I was offered a wonderful job, and found out I was pregnant with my third son – and I had three boys under the age of four. And I realized that I would not be able to do both well. So I had to make one of those tough decisions that women often have to make. And I gave up the career and became a stay-at-home mom, but knowing that I really wanted to go back into the workforce.

So when I became a stay-at-home mom, it was for four years, and I knew that I wanted to build some company. And I had so many ideas and I was so tired of hearing myself talk about things that never came to fruition.

And then I decided I wanted to start this idea of a company to design beautiful things that didn't cost a fortune. And it was because I was missing something in the market. But I also knew that I wanted to start a foundation for women, and I didn't have the money to do that. So I had to build a company in order to do that.

You sort of referenced that, but it was quite true. But knowing that it would take a great time. So I had this idea. And then 9/11 happened, and we were in New York, and I thought, "Wow, this is just not the right time." So I put it on hold.

And then I became addicted to watching CNN after 9/11, and there was this commercial of a little cartoon figure about a startup, and "follow your dreams", and "build a business". Every time I turned on CNN, it would come on. It was like clockwork. And so it really... eight months after 9/11 was when I said, "Okay, I'm going to really do this." I had an idea, I had a concept, and did it pretty much differently than everything I was advised.

HOFFMAN: Let's go through that a little bit, because one of the things was that you were doing the company in part to start a foundation. Did you tell that to your prospective investors?

BURCH: So I did.

HOFFMAN: You did.

BURCH: And I went to raise money, and I was basically laughed at and told never to say “business” and “social responsibility” in the same sentence. And it was almost as if I was... They were looking at me as the lady who wanted to do – or a young person who wanted to do charity work. It made me a bit more determined.

And it was quite funny, actually, last Christmas, that same investor, I called him and I said, “Hey, I just came from this great conference.” It was “Doing Good is Good for Business.” I think it was *Fortune* or *Forbes*.

And he said, “What do you want?”

I said, “I just remember that conversation 15 years ago on your couch. I want a check for the foundation, naturally.”

And he said, “Okay, one time check.”

And I said, “Okay, well, I’ll call you next December.”

HOFFMAN: That’s exactly it. That’s awesome.

BURCH: But I was constantly told that, Reid.

HOFFMAN: Yup. No, I can see how investors would do it. Because as you know, as a super successful entrepreneur, “focus, focus, focus” is usually the thing. And you say, “Well, I’m focusing on this in order to get the foundation.” But I think it’s exactly right. I mean, building a brand, having aspiration, you’re pioneering for other people.

BURCH: But the most important thing to that point is I’d never realized how good it would be for the bottom line. And that is something that investors can relate to.

HOFFMAN: *One thing I want you to notice about Tory is the way she responded when an investor told her she was wrong about the foundation.*

BURCH: It made me a bit more determined.

HOFFMAN: *That determination is key for any patient strategy. Because things that require patience usually involve a lot of people telling you you’re wrong. And a lot of people would tell Tory she’s wrong. You’ll hear it over and over as she builds her business, with speed. And it started with that search for her first investors.*

BURCH: So I had found an investor. I was lucky, because I did have a network that I could reach out to. But we didn’t raise that much money. We had one investor. And I

reached out to 150 friends and family, and I said, "Put in what you're going to lose," because I was terrified of losing people's money. And so some people put in \$10,000, some people put in \$2,000. And we raised, I think, it was \$8 million. And that's all we've ever raised in the beginning.

HOFFMAN: That's one more of an unconventional story. Because usually when you're pitching investors, the answer is, "You're gonna make a lot of money with this!" Not, "Put in what you're going to lose."

BURCH: I was really... I mean, I still don't love taking people's money, but that was... and it was great, because some people, it really transformed their life, that small investment.

HOFFMAN: Another difference from kind of traditional entrepreneurship within consumer and fashion as you... You went direct to consumers and opened your own store on day one. Say a little bit about why that's also unusual, and also then why you did it.

BURCH: I mean, 15 years ago it was very unusual. And I was advised not to do that. I was really interested in direct to consumer, more of a retail concept. And I had this idea of a lifestyle brand. And back then, it wasn't an overused term.

And I think when you go direct to consumer, you can control your own destiny. You can really make sure that people aren't cherry picking how they buy your line. So we went to a street in the middle of downtown New York. There was nothing on Elizabeth Street. It was a Chinese furniture store, and the rent was very inexpensive. And we opened a shop there, and it was 12 categories.

I spent eight months researching, going to Asia. I set up a supply chain in Asia from day one. So I knew that if we were going to reach that price point, that we needed to be great at sourcing. So we learned on the job, really. Surrounded myself with great people, as you say, often happens.

HOFFMAN: Yeah, no it's a critical part of these journeys. How did you start getting people aware of it? You go open – because cost is super important, you open it in an unusual area of town, in a place that people weren't previously doing foot traffic, and then you have to bring people in.

BURCH: So it was during Fashion Week, and we had an event. And I had grown up in fashion, because I worked at Vera Wang, and Ralph Lauren, and LVMH. And I said we're going to have this event. It's going to start at 10:00 in the morning to 6:00 at night. We're going to invite friends, family out of town press, press.

I had no idea if anyone would even come. It was really far downtown. It was in Tribeca.

HOFFMAN: *That's right. Tory literally opened the doors of her business before the actual doors arrived. She knew she had a moment in time during Fashion Week when she could capture attention. And if she hesitated, it might be gone forever. Listen in her story for the explosive speed she applied, in opening the store and what follows.*

BURCH: And we opened the store without the doors, actually. They didn't arrive. And it was very cold out. It was February. And we worked – I have three step-daughters. We worked through the night. I had my brothers drive out to South Hampton to grab pillows because we didn't – the pillows didn't come.

And then we open the doors, and at 10 til 6:00, it was amazing. I mean, it was almost as if we were giving the product away. So we kind of realized that we were onto something. And as I said, it was this white space in a market that we had touched, that I was missing, and hopefully, well, I realized that other people were missing it as well.

HOFFMAN: Which hour in that day did you know? Was it the first hour? Was it like, "Oh my gosh..."?

BURCH: No. It was probably when I started seeing people changing in the middle of the store, and watching one of my best friends like becoming, helping as a sales person. And it just was – we couldn't keep up. And we sold through most of our inventory. So we had to figure out that we weren't whizzes at retail, and we had to learn what that meant.

HOFFMAN: What would you have wished that you had known at that moment? Was it like inventory management? Was it...?

BURCH: I still am learning inventory management, yes. It's very difficult. Yes. Inventory management. It has been such a learning curve. And as someone that didn't have design experience, and I never went to business school, to be on this journey has been just such an honor, but it has been excruciatingly hard as well.

HOFFMAN: Well you don't know this, but one of the things actually when I give talks at business schools that I say is the two negative factors that need to be explained away for me to invest: one is an MBA, and the other one is a background in management consulting.

BURCH: Okay, good.

HOFFMAN: So the entrepreneurial bias is like, "Let's go do it!" exactly as you've done. So let's shift to the Oprah moment.

BURCH: Yes.

HOFFMAN: When you first received the call from Oprah's producer about coming on the show, had you had any inkling it was coming?

BURCH: I had no idea. And I thought my brothers were playing a joke on me. So it was... I'll never forget, because it was Spring Break and we were going away. And a friend in PR sent Oprah our clothes for Christmas. And so they called and said, "We're doing the 'Next Big Thing'." And I said, "Great, count me in," thinking it was one of my brothers.

So it turned out it wasn't a joke and they were doing the "Next Big Thing" on fashion. And I went to Chicago. When we filmed a fashion show on real people, we had to figure out – we didn't have size runs at the time. So we were using samples, and we had to figure out how to make things on the spot. But I had never been on TV. I had never been in an interview. And Oprah looked at me, she said, "Don't worry, it's only 30 million people."

It's like, "Oh, great. Thank you. That's very comforting."

HOFFMAN: "Just stay chill." Okay.

BURCH: So that transformed our – it was our first year of business, and luckily we launched with e-commerce 15 years ago. And that was something else people told me, that no one would ever buy online. And so Oprah's team said to back up our website, and we had 8 million hits on our website.

HOFFMAN: Did it stay up?

BURCH: It stayed up. I'm not exactly sure how, and it wasn't because of my –

HOFFMAN: Oh. But that was... In those early days of these things, the normal thing is –

BURCH: Yeah, 2005. We launched in 2004.

HOFFMAN: Yes, there was a tendency for things to go down when Oprah would go –

BURCH: Right. We just assumed it would go down.

HOFFMAN: Yes. And once you had that hope or opportunity, because remember part of what we're showing here for entrepreneurs is patience first, then grab the opportunity. So what was that experience? And then what was the thing about, "Oh my God, this could change the trajectory. We already have a great one, but it could even be greater."

BURCH: I think I was so in the moment that I wasn't thinking about, "This is changing the trajectory," as much as it was changing the trajectory. And that's something that... We had a business plan and it said we would open five stores, maybe it was five stores in five years – and it ended up being 17.

HOFFMAN: Three stores in five years.

BURCH: Oh, three. Thank you. You know better than I.

HOFFMAN: Yes.

BURCH: Three stores in five years and it ended up being 17. We were trying to keep up with demand. We were doing trunk shows. I was having friends host events, and building it that way. I was obsessed with the Avon model and the idea of how do we build in a grassroots way. We didn't have budgets at all. So we had to be incredibly scrappy.

In a way, our customer has helped us build our brand over the years. And certainly my friends have been a big part of that. And we would have an event, a trunk show at a friend's house in Atlanta, and then we'd see if there was traction and would that be a great place to open a retail store? And then we'd start to study the website as best we could, which data wasn't as easy then as it is now.

HOFFMAN: Exactly. No, no. It's a lot of technical revolution. On these trunk shows, would you... if there were an aspiring entrepreneurs that were thinking about doing a similar pattern, like saying, "Okay, I'm going to go and kind of do a combination of e-commerce, a combination of market study, would you recommend to do that path again?"

BURCH: I would definitely recommend to do direct to consumer and e-commerce, now more than ever.

HOFFMAN: Yes, exactly. So when did you start thinking about laying down the cultural values of the company?

BURCH: So the values came from the first day. I think working in our industry, one of the things that struck me is that women have a more difficult time. I was taught that you treat everyone the same, whether it's a cab driver or the Queen of England, if you were ever to meet the Queen of England.

And I feel that you get the best work when you have a great environment, and you're creating a place that people want to come, that's inspiring. It's about excellence, but it's also about being transparent and straightforward, and have a healthy environment. We named it after my dad, which is kind of funny. He would have loved that. He was very

sarcastic, and he had a very dry sense of humor. So in a way, having our culture named after him would be just up his alley.

HOFFMAN: And what was the name?

BURCH: Buddy.

HOFFMAN: So when you describe it to a new employee, that you have Buddy Values, do they know that's actually after your dad or do they assume something else?

BURCH: They learn it. And I have to say, it's not for everyone. And when you have a culture that is paramount and so important, if someone is not a cultural fit, it becomes very clear, very quickly.

HOFFMAN: And how do you interview for them? How do you bring people on, onboard people with them?

BURCH: I think interviewing is something I've learned that is just such a crucial thing. And sometimes when you're desperate to fill a role, you make the wrong decisions. And then you realize it takes forever, and it's so much more expensive to get out of that decision. So we're very careful with that. We obviously talk about the values, but we also have people talk to people who have been with me for 10 years or more. And a lot of people have.

HOFFMAN: Yeah, no, exactly. And so –

BURCH: I say it's "Hotel California." Check in and never leave.

HOFFMAN: Yes, and I presume most people are of an age that they catch the reference, but –

BURCH: Sorry. Oh my God. I'm dating –

HOFFMAN: ... never quite know.

BURCH: I'm dating both of us.

HOFFMAN: Yes.

BURCH: The Eagles.

HOFFMAN: Yes, exactly. But one of the things that I've discovered in doing a lot of these Masters of Scale interviews is that defining that culture early is so important, because when you're scaling, and you're going really fast, you need everyone to be living the culture. You need

everyone to be onboarding and bringing that culture in. And so it's been actually in fact a constant theme throughout all the interviews.

So like for example, one thing, Reed Hastings, famously known for doing the Netflix Deck. Have you guys written it down? Have you –

BURCH: We have written it down, yes. We have a pamphlet, I have it in my wallet. It's actually what you said. Everyone has to live it, and it can't just be coming from the top down.

HOFFMAN: Yes.

BURCH: It has to come from the bottom, top, all over. And I say to the team, we're all responsible for the culture, because it can change in a minute, and it often does. And you have to constantly dial it back and remind people what the culture is and –

HOFFMAN: For sure. I mean one of the things that I did at LinkedIn is I put the six values that we have on most of the conference rooms that I would be in, and also my office. Because what I wanted to do was I wanted to make sure that an employee, anyone, would feel comfortable challenging me. They said, "Members first" was the very first one. And they'd say, "Why is that there?" And I was like, "Well, because if you hear me ever doing anything that –

BURCH: See, I want that. Professional courage, right?

HOFFMAN: Yes, exactly.

BURCH: I'm not sure, does that happen? Because for me, it's hard to get. I really want that. And you don't want people to "yes" you, and we're working on that.

HOFFMAN: What I try to do is I try to get someone to model it in a meeting. So I say, "Here, I'm going to say this, and you're going to challenge me on it."

BURCH: So you're setting them up.

HOFFMAN: Yeah. But so other people can see it. Because if you do that, then they go, "Oh, that's okay. He doesn't really get angry."

BURCH: No. God, no. I would never get angry.

HOFFMAN: Yeah, no, exactly. No.

BURCH: It's so important. It's such an important part of growth and moving things forward.

HOFFMAN: *Tory applied explosive speed to capture opportunity after opportunity. But she also has the courage to say “no” to quick wins, when they don’t serve her long-term goals. This is where strategic patience comes in. Listen as this theme about patience comes up again and again from Tory’s entry into China to her departure from certain department stores.*

HOFFMAN: And so you also took your time before launching the brand in China. Why was that?

BURCH: We never want to be the company that goes in with a bang. We always want to learn our markets, and be respectful, and understand cultures. And we've been very careful that way. And often, we go into a market, and we'll partner with someone from that market. And then we'll have a claw back of three years and take back our business, or not.

And China was so daunting. And being an American brand, it's daunting anyway to think about business globally. And certainly American brands don't resonate in certain places. And we're proud to be an American brand, but women globally are what inspire me. So I think that we definitely look to other countries for inspiration.

China was a place that just seemed like the Wild West – and still is. And we just wanted to be careful. I just think it was almost like Brazil. Everyone started talking about Brazil. Everyone went in, including us, not in the best way, and realized we had to pull back and get a partner in Brazil to make the business okay. China, I wanted to wait and see.

HOFFMAN: How is the China story going?

BURCH: It's super exciting. I think we now have 30 stores in China, and it's just the start of what could be. We launched on Tmall last week, and that's super exciting. So we're doing it, as you said, in a slow way for industry standards, for sure.

HOFFMAN: So for example, you've held back on opening more outlets in some context. What's that impulse? What's that thinking?

BURCH: Yeah, it's funny. I had lunch yesterday with a journalist, and she said, "You're known for protecting your brand to the point where it must be annoying to your investors."

And I said, "I don't know. I mean I think we've had those tough discussions, and certainly the outlet business is like a drug. It's a very easy fix, but it's not a long term solution."

Everyone needs to have an outlet business in our industry. But to me it's not a business strategy. And we need to do it in a careful way. And we want to protect our full price

selling, but use the outlet as I feel it should be used. That's very different from what a lot of people are thinking, but I think it can be very dilutive to your company.

HOFFMAN: And similarly at one point, you pulled your line out of a major department store.

BURCH: Yes, we do that every now and then.

HOFFMAN: Why? That's usually not what investors are thinking, the business is running –

BURCH: I know. I was thinking about it earlier, women and... At least no offense to men, but the women I know in business have a long term view. And they're always thinking about each thing that they're doing, and how it affects five and 10 years out. And wholesale, as you know, is rethinking wholesale at the moment. They used to be in charge, and now the customer's in charge – and brands, to a certain extent.

So when you're not treated in the way that you think your company should be treated, with the right assortments, the right adjacencies, if they put it on sale before you're ready to, and you can't have that conversation, you just have to move on, and then go in in a more inspiring way.

HOFFMAN: That makes total sense.

BURCH: Which we are doing.

HOFFMAN: *One of the things you probably noticed as Tory speaks is the conviction she has in what she's building, and her clarity about what matters to her. That clarity is essential to making any patient strategy work. You have to know what you're building and what you're waiting for. And that's why I want you to hear this story from Rana el Kaliouby. Rana is the co-founder and CEO of Affectiva, an AI company whose software can read your face and know what you're feeling. Here's Rana.*

RANA EL KALIOUBY: Hi everyone. So the first thing I want you to know about my story is that I'm on a mission to humanize technology by building artificial emotional intelligence into our devices and our interfaces.

As AI systems become more mainstream, as AI continues to take on more roles that were traditionally done by humans, it's not enough for AI to have lots and lots of IQ, cognitive intelligence. It really needs EQ – emotional intelligence, empathy.

When you think about human communication, only 7% of how we communicate with one another is in the actual choice of words we use, 93% is nonverbal. It's all about facial expressions, vocal intonations, gestures. And today in our digital universe, all of that nonverbal communication disappears into cyberspace.

So we're trying to capture that by using machine learning, deep learning, and tons of data to build algorithms that can understand and capture these nonverbal signals.

HOFFMAN: *So Rana's AI technology reads your facial expression. And based on the tiny muscles around your smiling eyes or your furrowed brow, the A.I. knows how you feel. And if that leaves you feeling curious but also uneasy, you're not wrong. Listen on.*

EL KALIOUBY: There are many, many, many applications of this technology. There's applications in mental health, facial and vocal biomarkers of depression and Parkinson's. There's applications in automotive to make our roads safer. In education, to democratize access to learning – and many, many more.

But I'm not naive. In the wrong hands, this technology can be quite abusive, and can be used to discriminate against all sorts of people, including minority groups. So when we spun out of MIT 10 years ago, my co-founder, professor Rosalind Picard – who heads up the affective computing group at MIT Media Lab – and myself, and our first employee, we sat around her kitchen table and we said, "Okay, we recognize that there are so many applications of this technology. Where are we going to draw the line?"

And we wanted to only play in industries where consent was quite explicit, where people understood how this data was going to be used, and there was this kind of transparency about the technology and that you're being kind of tracked or this data's being collected.

And so that meant that there were some industries we weren't going to play in, for example, security and surveillance. And so we were very clear about, very early on actually, where and where we weren't gonna play as a young company. But we got tested on it.

So two years later in 2011, we were literally a couple of months away from running out of funding. And we got approached by the venture arm of an intelligence agency. And they said, we're going to give you \$40 million of funding – which for us was a lot of money at the time – and they said, on condition that you pivot the company to security and surveillance, and lie detection.

And it was a very hard decision, because on the one hand, we could take this money and we would continue to exist.

And I remember going home one night and just kind of playing it out. And it just did not feel right for us. So we turned them down. We turned them down.

Luckily, we're still around today. So luckily we were able to raise funding from investors that shared both our vision and our core values. And so this really became a

foundational story for us. A story of strategic patience, and knowing who we are and what we stand for. I like to say we're an AI company but we put the human before the artificial. Thank you.

HOFFMAN: *What Rana's story demonstrates so clearly is the strategic patience you need to turn down opportunities that aren't right, even when they're tempting. And Rana and her co-founder were smart to sit down and agree from the beginning on their mission and standards. It's a model everyone should follow.*

Why? Well, first of all, it's almost universally true that a successful company will have to turn down tempting offers of investment and acquisition along the way. And second, it gives you the standards by which to make key decisions, at the most difficult moments.

At the center of any patient strategy is this courage to say "no" when the timing or chemistry isn't right and the certainty to say "yes" when it's right. Not a tentative "yes?" but a definitive, go-after-it-with-all-you've-got "YES". But how do you know for sure when it's the moment? That's where Tory and I went next.

HOFFMAN: I was reflecting on the discussion we just had, and I realized that one of the things that people may not be tracking as much is, in the thread of it, where's the patience and the speed. Because you do have these two different speeds. One of it is like, "Okay, we're not doing just a few outlets. We're going to do 17. Here we go. We've got it ready. We're doing these trunk shows, et cetera." On the other hand it's like, "Well okay, let's risk assess China. Let's pull back from the department stores." Was that natural, an instinct, or learned?

BURCH: It's funny. I'm a Gemini, so I do think there's a bit of a war going on inside of yes and no. But I also have my brother, Robert – who keeps me in line a bit, I'm more of the risk taker, he's a very measured, in-house legal, and he's always dialing me back. I'm definitely a risk-taker by nature. That said, I don't want to take ridiculous risks. So we want to take smart risks.

It's that tension that is so important, of knowing when it's the right time. I don't think you ever really know until it happens and you really do it. But I often say, we never mind if we wait because we generally don't miss something, from like opening a store. We can really do that once we assess whether it would be a great business or not. But it depends on what, because timing is everything. So you can't wait on certain things. You have to know that. We often are too early for some things.

HOFFMAN: Well, by the way, if you're not taking some risk, you're not being aggressive enough. But what are the signs that you use? Is it talking to people? Is it gut? Because when we listen to Lehua's story, right, it's the waves and it's the sun and it's the position. What are those signs for you?

BURCH: Well, I definitely am an information gatherer. There's no question. But then I generally... When I don't go with my gut is when I regret it. I think your business has a cycle when it tells you also certain things that you need to do. We had this rapid growth for 10 years and probably every person like you told me there would be an inflection point of 10 years of business. And like clockwork, it happened. I mean, it was literally like clockwork.

I realized that at 10 years, we had to look at the next phase and we weren't set up to do that. So it was like steering this giant ship of looking at our management team, thinking about do we have the right team to take us into the future? Looking at product, how do we perfect product? How – less is more, less of everything. And we wanted to do less product, but product that was more inspiring. It's been a journey, particularly the last five years. It's been very hard.

HOFFMAN: What were the steps that you took at that 10 year moment? Was that like taking your exec team and doing an offsite and saying, "Look, we now need to change the game."?

BURCH: Hiring BCG or McKinsey. We did all of that and that really, interestingly, we've gone a very different way in the company. No offense to BCG or McKinsey.

HOFFMAN: Well, sometimes the mirror of the foil is like, "Yeah, not that, this."

BURCH: Yeah, it definitely makes you have the conversation.

HOFFMAN: Yes. In those times, how do you know how to listen to your gut the right way? How do you –

BURCH: I don't think you always know. I think when you realize you've made a mistake, I think being agile is the most important thing you can do – and quickly recovering. I always think of grace under pressure because if you're frenetic and have drama at the top, then your whole company feels that – and so do your children. So I really try to be calm. For some reason, when things get frenetic, I get more focused.

But I don't think you ever really know until you take the plunge and really do it. Particularly in our business, as you said early on, the macro is changing at lightning speed.

HOFFMAN: *Tory's company also grew with lightning speed. It now brings in more than a billion and a half in annual sales. But what about her original idea – for a foundation and a company living side by side? It took five years before she launched the foundation. And ten more years before she was ready to fully, publicly integrate the two. That moment came just three months*

before our interview, in an email she sent to her entire staff. Finally, it was the moment for speed.

HOFFMAN: So all in the foundation. Three months ago, you sent an email. Why did you send that email? What were you thinking? What were you shifting towards?

BURCH: We, as I said, launched the company with a business plan that was to start a foundation for women. We started the company in 2004 and the foundation in 2009. It took me 10 years to send an email to our team saying that we finally have impact and scale, and we are changing women's lives, and we are ready to start messaging externally about the foundation in a significant way. And how do we integrate the two in a much more meaningful way where our customer really associates us with changing women's lives?

By the way, we need men to be part of that conversation. That's something that we don't want it to be a women's issue. We go to these conferences and we all agree, women have a tougher time getting loans. There's so many things that we all agree on, but we need to all make the progress together.

But I sent that to the team, and it was very exciting. Now we have given out over \$50 million with Bank of America. They've just increased it –

HOFFMAN: Wow.

BURCH: ... to \$100 million, which is very exciting. Thank you.

HOFFMAN: That's awesome.

BURCH: Thank you. Yeah, so they're great partners. To have them as a partner and identify entrepreneurs in the United States has been very gratifying. We're averaging a million a month with them.

We have a fellowship program where we have 50 entrepreneurs come in for a week of – you'd be the perfect person for them to meet – of learning and... They're in awe and they would be in awe of you. Just meeting them is inspiring. They're often single mothers, they often have two jobs, they have incredible businesses. When we see them reach a million mark, we see sustainability and we see really traction in their business.

HOFFMAN: There's a particular story that's related to the gift that we have put on everyone's... Can you tell people that story?

BURCH: There's a chocolate company, CocoAndre. It's a mother, daughter. They decided they needed, after they were both let go on the same day, they were going to

start a company. They're from Dallas. They started an incredible chocolate company. They have changed their neighborhood. They're now a hub for women to go and meet or anyone.

It's doing incredibly well. They're going into Whole Foods. They're going to be chocolate in American Airlines. So we see real potential of this business and you want to say?

HOFFMAN: Yes. Exactly. I think the moment is to open your gift. So everyone, you should take this, on your seat, a box that looks like this.

HOFFMAN: *Podcast listeners, I'm sorry I can't hand you this gift – it was a small box marked "Do not open until we say so." And inside was a chocolate from CoCo Andre. They're one of the woman-led companies who won investment and mentorship from the Tory Burch Foundation. You can find them for yourself at CoCoAndre.com. And now, back to the room...*

HOFFMAN: Thank you. And enjoy the chocolate. So going back to supporting women entrepreneurs, what are some of the lessons that you've learned in how to best support women entrepreneurs? Because as you mentioned, it isn't just for women to do, we both have to be doing this. It's super important.

BURCH: No, I mean listen, I think first of all, women are an important part of a business equation of a successful business and they think differently. Let's just state that.

HOFFMAN: Yeah.

BURCH: I think it's time that women's equality should not even be a discussion, it should be a given. That's how I look at it. I think... Thank you.

Well there's so many ways that I think we can help. Certainly, our foundation is tackling things like ambition. When you think about ambition and it being applied to a woman versus a man, it's a negative.

When I first started, there was an article in the *New York Times*, and the journalist looked at me and he said, "Are you ambitious?" And I was like, "Wow, that's such a rude question."

And so then, my friend called me after – and this was 15 years ago – and she said, "Nice article, but you shied away from the word 'ambition'." And that's something we have to change. I, from that moment on, decided that we need to really take...

HOFFMAN: You're 100 percent right.

BURCH: ...take the negative connotation from the word "ambition" and women. So, we did a PSA, a public service announcement, and it ended up reaching 192 countries and that's something that we will continue to message.

HOFFMAN: Yeah, one of the things that I completely agree on this is that one of the things you frequently find, this is like Sheryl Sandberg's *Lean In* and everything else, is you say to women like, "Are you ready for this?" And they go "Oh, no, no I've gotta prep more." It's like no, no, go.

BURCH: Men are always ready.

HOFFMAN: Yes, I know, it's like "I'm totally unqualified, you should pick me."

BURCH: Right. But it is true, no offense. Women need to be better advocates for themselves. They need to – and we try to help and I'm guilty. I bought into that negative stereotype and definitely have confidence issues and I think that's something when women need... we all need to build women's confidence and they need to build their own.

HOFFMAN: And so, what are the things that you have learned from constructing this amazing business, which has scaled globally, to now thinking about how to help women entrepreneurs? Like, what are the things as you're beginning to map that? Because part of what's amazing about your journey is not just the "Look, I decided I wanted to go start a business, didn't have an MBA, was going to do it," but "I started it with a foundation in mind. I knew where I was going, I knew I was getting to Hawaii. I knew I was circumnavigating the world."

BURCH: Well, one thing I don't want to underplay is just how difficult it was to build this business. And all of a sudden, and sort of when people say, "Oh, you're such a success." And we talked about there's no such thing as an overnight success and that there has been so many pitfalls along the way and I think that preparing people when they go into business for that.

And when you're an entrepreneur, things come at you morning, noon, and night and how you have to be again, back to being agile, but you have to be equipped to deal with that kind of turmoil. And it is turmoil, but it's also incredibly gratifying.

So when we think of how we're going to make the two play off of each other now that we do feel that we have a lot to talk about externally, it's still the beginnings of the conversation, because it's interesting, a lot of our customers, a lot of people don't even know about our foundation yet. And that's something that I understand because we didn't message it externally for a very long time, but now we're ready, but also we're coming from an authentic place and I think that's really important and that's something that's

setting us apart. We're not just picking something to jump onto, because now businesses with purposes are important.

HOFFMAN: You have it all the way from your early discussions with investors. One of the things that I think is also really important with entrepreneurs is how to pick investors.

BURCH: Yes.

HOFFMAN: So say a little bit more about what you've learned and how entrepreneurs looking at this can go, "Okay, here's how I navigate these waters"?

BURCH: Okay, I've learned so much picking investors. I also learn that when people say they're "long term", it generally is not the case and long term really depends on how you look at it. I think when you look at some private equity groups or venture capital, it's all different, but long term generally means five years, maybe seven. But that's not the cycle of a business when you think about long term and when you're making decisions for the health of the business.

So, I always go to integrity and I feel I've been very fortunate picking incredible partners. That said, it's hard and it's not always easy, and you have to be able to be strong and have conflict on the board but resolve it in a healthy way.

HOFFMAN: And picking them, was it the which questions they asked you and the actual interaction? Was it reference checking? Was it reputation? What was those set of signals for you?

BURCH: I think it was again, going back to instinct and gut, when you meet someone, you have an immediate feeling and definitely, reputation for sure, but their track record comes into play. But I think we've picked incredible partners in the private equity world. The number one question people would say to me, when are you going public? I mean, our company is only 15 years old and it's a luxury to private, so as long as I'm there, that's going to hopefully be the case. I'd like to keep it private for a very long time. That's not always consistent with what investors want to hear, so there is ... would you invest?

HOFFMAN: Yes.

BURCH: Knowing that?

HOFFMAN: Yes, yes, but no I think the funniest thing is I've heard from a VC who I obviously won't name was like, well I invest in companies to hold them forever and whenever you hear that...

BURCH: Forever is five years.

HOFFMAN: Yes, exactly. Whenever you hear that, I'm selling, right? But the point is action packed, how do you compound over very long time periods?

BURCH: Yeah, and you want your partners to do well also.

HOFFMAN: Yes.

BURCH: That's another thing. I do care about their investment. I don't want it to come across as that.

HOFFMAN: Oh no, no, of course. So, last question. Advice to your younger self. If you could call your younger self through a phone line that goes through time, as you were just starting, what would you tell yourself to do differently? Like "Do this, don't do this"? What would be that advice?

BURCH: I would probably say to be more present and really be in the moment and take it all in. I feel like the last 15 years have been a bit of a blur and I wish that weren't the case. It was just so busy and so crazy all of the time, as you know, that I wish I was more present. How about you, what would... ?

HOFFMAN: Well, a number of my friends would say that I should follow your advice. And there's meditation, there's other things. I think the thing that I would tell my younger self at the beginning of LinkedIn is to... there's always this dial in entrepreneurship about how much you pay attention to the competition and how much you don't.

And I think in the first few years, I was dialed too much on paying attention. Like I was kind of going "okay, make sure that this changes, make sure that you..." Like, when I was watching their moves, I would have a strategy that would counter the move.

And you do need to pay attention, but we launched the Groups product of LinkedIn like 10 years too early. Oops. And so, it took us a long time to get around to making that product better.

All right, so I think now, as we close out the night, I want to bring up all of our guests and the whole creative team back to the stage. Come on up guys. Special thank you to Tory; to the evening's sponsor, ThoughtExchange; and to the amazing production team. And thank you for being such great beta testers! It's been our honor to share it with you. Good night!