

MoS Rapid Response Transcript – Tony Tjan

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TONY TJAN: Today, we're at 3.3 million jobless, four to five times the highest level since 1982's great recession.

Our nail studios, in the period of 12 days, going from 552 people down to seven, effectively down to zero revenue.

All of these hourly workers in this country really represent a hero class. They're incredibly resilient

For many people, it's not a stimulus plan for them. This is a personal relief emergency plan.

I see the spirit of those people who are out there as the heartbeat of our economy who are helping each other. In the end we are all just so very human, and it's going to be our collective humanity that gets us through this. I really, really believe that.

REID HOFFMAN: Hi listeners. It's Reid. We're continuing our special coverage today. And we're honored to have Tony Tjan with us, to think about the impact of the pandemic on hourly workers. Tony's the managing director of Cueball Capital in Boston, and he has a long-term orientation that's rare in the VC world. Cueball's portfolio is filled with purpose-driven companies, including several that are reckoning with the near-elimination of their entire industry.

Tony's asking questions that may resonate with many of you: How can you both protect your hourly workers and prepare them for an uncertain future? How do you plan for the long-term when the daily keeps changing?

This is [Tony's second time on the show](#), and he's interviewed here by our editor-at-large Bob Safian. Bob came to us after 11 years as editor-in-chief of *Fast Company*. I'm grateful to him for stepping in to do these interviews when my schedule won't allow it. Bob, I'll hand off to you here.

BOB SAFIAN: I'm Bob Safian and I'm here with [Tony Tjan](#), the Managing Director of Cue Ball Capital in Boston. While many investors look for unicorns, Tony has always had a different perspective. Instead of unicorns, he looks for what he calls "sea turtles", which live a long time, which today, especially, we all have our ideas on. Tony is also a friend and supporter of Masters of Scale. He's appeared in previous episodes before with terrific insights, and he's coming to us today remotely from his home in Massachusetts as I ask my questions from my home in New York. Tony, thanks for joining us.

TJAN: Thank you Bob. Great to be here.

SAFIAN: These are strange and unprecedented times, where everything is being disrupted in the business world and beyond, and I want to thank you for participating in this special series of episodes of Masters of Scale where we're interviewing founders and operators and investors who are in the thick of things and who have agreed to share their experiences in hopes of helping other leaders.

New pressures are arising, new questions, new imperatives. I know that you are particularly concerned about the often unseen fragility of the most vulnerable players in our economy, in particular hourly workers who are being hit so hard by this crisis. And I want to delve into that with you in detail. But first I want to start with a more overarching question.

You're known for being a long-term thinker. It's been your approach to investing and it underscores so much of the rest of your philosophy. And the last time you were on Masters of Scale, you talked about the dangers of what you called "short-termism" and a "microwave capitalism", very evocative phrase. But right now everything feels short term. And so I'm hoping you can explain your philosophy about long-termism versus short-termism and then explain how it applies or is being tested in the environment that we have today that's rapidly shifting.

TJAN: Sure. Thanks for the question, Bob. I think on the concept of long-termism, it really came about from having been a founder and business builder over many years – and one that's had both good fortune and misfortune of seeing some of these incredible crises of this scale in the past, from the dot-com crash to starting one of my first positions on the date of 9/11 to watching the incredible volatility through the 2008 financial crisis. I can honestly say I haven't witnessed anything of this size and magnitude, that has come with this swiftness, and has impacted at least certain sets of the population disproportionately.

But in terms of how that relates to long-termism, it really made us realize when we started Cue Ball that what we want it to have was a very different model for venture investing.

We wanted to have venture investing where we would invest in early growth concepts that might actually have the chance to turn into durable growth. Meaning that what if you imagine a world where your filter for investing was, "Might this last for 50 years?" Just 50 years. How does that change your thinking?

And the concept of microwave capitalism is that, look, most things coming out of the microwave don't taste that good. They tend to be better simmered or slow roasted. If you think of the most perfect salt made in the world, it just comes from seawater, a bit of sun,

and a lot of time in its purest form. And for us, we believe that there are so many long-term opportunities and long-term issues that can be solved if we just did one thing is change our timeframe.

And as humans, we are cognitively wired, almost, to be short term. This is why we have trouble with diets or quitting smoking, always believing that things can change the next day. Our political cycles, the way we invest, the fact that the vast majority of investing today is momentum trading, that people are doing these last few days.

If we actually just did some things based on the fundamentals, you might have a chance to solve for a bigger purpose, which is to place capital and be the best supporting actor to people in places which normally would not get it. There are numerous innovation deserts out there, there's numerous opportunities for more inclusionary innovation, but we have to change our timeframe. We need patient capital to solve those things that might actually, possibly move the world forward while they disrupt categories.

SAFIAN: Right now being patient is particularly hard. And do you find yourself falling back on this idea of patience? Is it calming or is it something that in an environment like this, when things get crazy, whether now, 9/11, 2008, do you suspend it or does it become even more important?

TJAN: Well, I think a mutual acquaintance, at least of ours, I think it was Bob Metcalfe who had said, "We tend to overestimate the short-term and underestimate the long-term." And whether that's Metcalfe's rule or whether it should be credited to another wise person, I think the concept and principle is right. I think that the value of stoicism or patience right now is a little bit of a calming force.

But I'd be completely lying if I said that during these times you can't help but feel the short-term pain, the emotion, the roller coaster, and how you maintain perspective. I think this is true in operating companies. I think it's true in investing. A great friend of mine who actually co-led Tiananmen Square and has become one of the best value investors in this country, when I asked how he's become so successful, he reminded me that, "Great investing is really about psychology, not about any smarts. You have to buy low and sell high." And it turns out that that's much harder to do.

So during this time, we have to keep one eye laser focused on defense because it is about survival, Bob. We have a number of retail services businesses that never could have imagined this level of catastrophic disruption to a business. So we have to keep one eye laser focused on everything we can do to get to the other side. Whilst doing that, should you have sufficient capital – and in many cases, many of us are becoming more limited on that given the scale of this very severe COVID-19 crisis – you want to be scanning for opportunities to allow you to be best positioned for offense when we do get

to the other side. Because we have to remember that this too is not permanent and this too shall pass. But it's a hell of a time whilst it's going on.

SAFIAN: So I want to have you take us through one of your portfolio companies in particular, MiniLuxe. I don't remember whether it was the first, the starting point of Cue Ball, but it started pretty early in Cue Ball's reign and it was-

TJAN: We're the only venture firm that started as a nail salon.

SAFIAN: Yeah, and it started very much with a long-term perspective, right? It's a chain of nail salons. And that the case for going into nail salons was, as you say, it was a 50-year case?

TJAN: Yeah. I think it's a chain of nail salons as much as Starbucks is a chain of coffee shops. I think part of the inspiration we drew from when we tried to think of how can we use purpose, design, and technology to transform an entire industry that's been forgotten or neglected, we ended up picking nail care as our industry. We set that challenge out there to say what could be Starbuckable?

So we're trying to Starbuck the nail care industry – and I call it the nail care industry because it's not just the nail salons, it's the nail care products, the treatments, the actual protocols all across that space that represent the most used beauty service in the world, but that's the least regulated.

And anyone who's walked into a typical nail salon or perhaps read the seminal 2015 *New York Times* piece by Sarah Maslin Nir on the dangers of nail salons, will notice that it's unimaginable that this type of industry can exist as it does in the 21st century with the level of toxicity, poor labor practices, lack of standards, and lack of hygiene.

SAFIAN: And so you saw this as an opportunity to create a better product and a better experience in this environment and you've plowed a lot of money in it, right? I mean tens of millions of dollars into growing this into a franchise, right?

TJAN: Yeah.

SAFIAN: And it was doing very well. It's been doing very well.

TJAN: Yes. I think we're trying to build a platform brand that includes our nail studios that do nail services and waxing. We're offering a re-imagined, better, clean, ethical, safe set of nail polishes because most of the products out there have very high levels of toxicity, carcinogenic, and can cause neurological damage.

By the way, many of the nail salons that have been reviewed by the CDC have already, pre-COVID-19, up to 10% infection rate in passing various infections like a nail fungus to Hep C to other diseases. So for us it was really important to fundamentally set a safe standard, not just for nail care, but, we don't really think about it. When you go to the barbershop and you see that mystery blue liquid called Barbicide, that probably doesn't kill the stuff like COVID-19. It's probably not that great.

And so we really tried to have a vision that would elevate an entire industry through super hygiene, economic opportunity for inclusive class, and community empowerment. And to your point, yes, it was going really well. We have a terrific CEO in Zoe Krislock, who formerly ran Nike Canada. She has a terrific team that had been building this to double digit growth. We were on a run rate of tens of millions far higher than any average nail studio. Oprah had just named us her favorite things and called us "the Tesla of polishes." But in the period of 12 days, we watched going from 552 people down to seven.

And, effectively down to zero revenue. And you know, the math and a fiduciary duty and the logic of having run businesses before is not the hard part. What's the hard part is really thinking about the lives you might be impacting and how you have to make sure that not just your business gets to the other side, but all of those 500 plus people. Not just in that business, but I would say across the states who are part of the economic engine on the ground floor that really make our country what it is. That's what I'm worried about.

My heart's out there for not just that group, in the nail care business, Bob, there are about 400,000 workers in this country. It is either the second or third largest independent employer vocational trade and likely the largest of women and immigrant independent workers. So it's a very vulnerable class right now.

And we forget this social justice that we need to return to these people that are purveyors of self-care. We often view – or many call them nail technicians. I would never call them a nail technician. They're at minimum a nail designer and really a purveyor of self-care. And all of us have to think of those who have been caring for us for all these years. Whether it's that waiter, that bartender, that nail designer, that waxing editor, that barber, think about all those who just might be disproportionately affected. Minimally reach out, pick up the phone, and say thank you.

SAFIAN: I mean, this has been personally distressing for you has it not?

TJAN: I mean, yeah. This is a company that, more than just funding, myself and my partners, co-founded it just over a decade ago. And when you try to build a business and you try to build one, especially that is purpose-driven, you never really sign up to let

anyone go. Even if it feels temporary, they're part of a family. It has been incredibly distressing. First and foremost, just trying to do the right thing quickly so that we can do everything possible to make sure we have something on the other side.

But then just watching what so many of the people go through – the media recently is just tooting a lot about the stimulus bill UI benefits. But we have to think of the reality of folks on the ground that are 15 standard deviations in terms of a different life and needs than what you and I are doing today, and where you and I are and where even, most of the listeners are, which is they're applying for unemployment in Texas right now with a state that's crashed.

They've been without work for some weeks. And even for all our efforts of trying to lead with humanity, lead with love over fear, and paying people through last Friday, cashing out their PTO, offering health benefits for 30 days, offering multi-lingual help to try to get them onboarded onto UI – the reality is that many people still haven't been able to even claim their unemployment.

Today, we're at 3.3 million jobless, four to five times the highest level since 1982's great recession. The systems are crashing, the bills are out, and I applaud Congress for trying to get individuals and small businesses in, but it's going to be weeks, if not months before some of this really benefits the smaller businesses that make up 99% of this country's economy.

SAFIAN: And so despite this enormous stimulus package that's in place and the efforts that are underway, you're just not sure it's going to be enough to help certain parts of this population that they're going to be left out or left behind or left waiting.

TJAN: Let's be clear, I think for some folks that are rallying on Wall Street and going from minus XXX% to plus 20% in a few days and applaud a fiscal stimulus plan. For many people, this is a personal relief emergency plan. It's not a stimulus plan for them. It's a relief plan. They are on standby needing this – and it goes well beyond our MiniLuxe group, we have another business Roti, which has... It's a Mediterranean grill food concept. We have probably 700 people hourly that are out there in the same way.

Most of America depends on businesses like that for their weekly livelihood and we need to remember that. So I'm grateful that it's there. It's going to take time to get to people. It's a large amount to small businesses, but it's equally \$500 billion plus to big businesses. And the question becomes how quickly can we get it to the people and can we get it to the right people in time?

SAFIAN: It sounds like the business case for husbanding your cash flow and reducing your staff is almost... like, it's obvious. The business case, you have to do it, but the human case is much more complicated?

TJAN: Yeah. I mean, I think that immediately when this happens, you have to go into extreme, extreme cash conservation basis. As one of my CEO's reminded me, during these times of crisis what we need more than ever is an attitude approach and leadership style of having love win over fear.

And I think that pretty much sums up the situation. I think it's obvious that you need to do that so that you can hopefully provide a place on the other side. You need to play extreme defense, but it's absolutely heart-wrenching to do this process.

And you try to do it as compassionately as possible. You try to offer as much as you can. But it's gut wrenching and we have to remember that this is going to have some repercussions well beyond just a post COVID-19 world. It's great that we have some of this new bill helping for some short-term. But it saddens me overall that the entire retail services, small business landscape will have a reset. You may see as high as 30, 35% of businesses not make it through here.

SAFIAN: Wow. It's very bracing. It's very bracing. So your advice for business people struggling with decisions about layoffs versus cash flow is you have to take care of the cash flow first so that you're there on the other side, I guess, to hire people back later. What kind of solutions do we need that we don't have for the most vulnerable at risk folks?

TJAN: Yeah. Well, I think the best solution we have, let me just say this, that the light that has lifted my spirit, including work that you're doing and the whole WaitWhat team, has been to really see this ray of light through the cracks, which is the work of collective humanity. And people have jumped in to try to help. There's a variety of different NGOs, we like others have set up economic resiliency funds to try to get people to jump in and buy a gift card on our MiniLuxe website or support through Venmo, give a virtual gratuity.

And that's an important point by the way, Bob. It's not just the hourly worker. It's also people with gratuity that are depending on gratuity. In terms of what we need and what could have been done faster, I think it's useful to go through some basic math. If you think of, you know, I'm now abstracting to an average hourly worker and pick a number, say \$40,000 a year that they might make and assume that there's some tip element on that of 20%. Some of that may or may not be reported. That takes them to \$50,000 a year. If you're able to get through unemployment, that drops you down on your reportable wages down to \$20,000 annualized salary. And whether you're single or a family of four or five, that's a tough run rate to go on.

So I think that the first thing, the CARES Package that's been proposed and getting \$1,200 to people, we need to get that as fast as possible to people. We really need to get that as fast as possible. Twelve hundred dollars is a massive amount of money for many people in this country. It could buy groceries for a while and get people over through the hump. We need to allow their banks to give them forgivable short-term emergency loans. We need to allow the business owners like ourselves to get a level of emergency relief funding that we can continue to employ our people without all the contingencies out there. I mean, it's amazing that we can get a bill through this. But I don't know if you've looked at it, but imagine the average person trying to wait through 800-plus pages and just try clicking.

I encourage anyone on the Masters of Scale program to click on the Emergency Relief Fund loan application and look at all the boxes and liabilities and... even if you have a sophisticated MBA, I would say that you would be somewhat challenged to say that this is like a quick and easy one-click process.

So I think we need to make this easy, I think we need to triage and prioritize and make sure those that are most vulnerable get it first, and we need to call upon our collective humanity. This is not going to get solved just top down government. I think that I'm lifted mostly by the spirit of people, whether it's clients, friends, the American population to rise to the occasion with courage and humanity at times like this.

These folks, all of these hourly workers in this country really represent a hero class to our country. And they're doing amazing things. And they're incredibly resilient and we owe it to them to make sure they not only come out the other side, but they come out stronger. And it's great that there's some short term relief, but it's got to get there fast and it's got to last. It's got to last.

SAFIAN: Have you had outreach from employees or former employees from MiniLuxe or some of the other firms that you run? What are you hearing back from those folks? Are there any stories that you can share?

TJAN: Well, the first amazing thing, and it'll break your heart, is that so often is the case during these times that it's the people who have less that use these moments to find productive ways that they can apply their talents and with great courage and positive audacity do great things.

So I learned this week from a group of MiniLuxe folks, people that are currently not with their jobs, who had done everything from volunteering to package, ship, put together notes to send to doctors at places like Mass General Hospital and Plano's Medical Center, critical PPE supplies – specifically everything from medical grade disinfectant

wipes because we have the most sterile, most hygienic nail care offering we believe in the world.

They packaged this excess before studios had to close and delivered these offerings. And perhaps in the most moving case was a woman who used the capabilities of our hands to hand sew several masks for doctors in this time of shortage. It's an incredible show of humanity that they have reached out with concern, with anxiety. Most calls have been about thank you, about thanking us for helping them get their unemployment benefits, helping them get a little bit extra. We are on calls with them frequently, weekly calls with the whole staff. I think that's another piece of advice for anyone going through this right now. You have to stay connected to your groups. They will want to come back, but don't lose that Goodwill.

People need human connection now more than ever and the fact that we have social distancing makes it so much harder. So send out virtual oxytocin to everyone. People need it. We're desperate for it. So use caution, have compassion, but have courage and be inspired by these stories of what people are doing. That's what has lifted me, Bob. I just look at what they have done and these are the stories from the field.

SAFIAN: As you talk about this, in some ways it's a bracing reminder of the way our market system and our economy works – and the priorities don't always accrue to the human side first in the way the systems are set up. [I had a dialogue with Reid Hoffman a few days ago](#) and he, like you, was very frank that some businesses in this environment, they're going to die. They're going to close down.

And we were talking about as an investor, sort of how does that change the calculation you're making with your own portfolio? You've supported all of these organizations, they're like your children, and suddenly you're in a triage mode where you have to decide like, which ones of them you support so that they can in turn continue to support. How are you managing or grappling with that kind of triage when your ideal is to be long-term focused, but you have to make those difficult choices also?

TJAN: Yeah, I think there was a letter from various representatives in Michigan that came out to begin to state the health public policy of what will happen when their ICU units and hospitals become overcrowded and you have to make life or death choices between who stays in the ICU, who stays on the ventilator, who stays with the doctors who can care for them. That impossible decision that you need to make is one that really has no great answer. The only filter I would probably use on long-termism is to think about where the world might go.

Because in making that choice, I think how we will end up having to make it is to at least project out over the next few years. And this world of new, new normal that will come

about, which one of these companies are going to be best suited for that new, new normal. And by that, that's not just a math equation. My hope in thinking about long-termism is that this is going to be a reminder and shock to the system that a level of new conscious consumerism might be a good thing. Shopping local, shopping ethically, shopping sustainably, supporting legitimate fair labor workers, places like MiniLuxe trying to do economic development opportunity for them in safe super hygienic modalities.

I hope overall this conscious consumerism comes about and that's where and how we're trying to think. Who are the representative companies that now have the best chance possible to hopefully take advantage of a reset world, not just in the negative spirit of having a smaller set of competition, but more in the positive spirit of the fact that we hopefully have greater permission to sell it to a wider range and wider set of conscious consumers out there in the new, new normal? I'm an optimist. So I'm hoping.

SAFIAN: You are. You're an optimist and you believe that we can tap into the best versions of ourselves and listen, that is what we all hope can come through in the long run from once we get to the other side of the heat of this crisis that as we restart and as we rebuild, it's going to be on all of us to make it happen. And what kind of a world do we want to be in and do we want to create? Same questions we always ask ourselves but becomes much more poignant and more central at times like this.

TJAN: Yeah, I think we're going to learn. I think as people become more educated, I mean we're all talking about COVID-19 and novel virus. And I think as we become more educated that it's a world where it really must be us together. And we saw elements of this prior to COVID-19 as for the first time businesses started talking about the possibility that Milton Friedman wasn't completely right that business is not solely for the purpose of profit, but for a collective stakeholder set that this is why I believe in long-termism.

I believe in long-termism when I see the spirit of those people who are out there as the heartbeat of our economy who are helping each other, and a lot of people are trying to help them. And when I think about all the things that are possible, if we could just be more long-term and more educated to the benefits of that long-term, it gives me courage. I don't know if I'll see it in my lifetime, Bob, but I'm a long-term thinker, so maybe my kids will benefit in the next generation.

SAFIAN: These are stressful times and as a leader, for you personally, what do you try to do to help manage your own stress? And what sort of advice might you give to other business leaders and the rest of us for getting through these difficult days, these difficult choices, these difficult moments?

TJAN: It's a great question Bob, on how we actually manage during these times of stress and often not just stress, but stress coupled with sadness. It makes me think back on the founding values that we put in place for my venture firm Cue Ball and we have a

three P mantra of purpose, people, and patience. You know, during these times of stress, perhaps the most important thing to center on is your purpose, reminding yourself of your North Star, that very reason that you started your venture. And equally, it's absolutely critical to remind your people of this overarching purpose. This is especially true during times of crisis.

The second P on people, is that during these moments, you need more than ever those that you trust and love around you. First and foremost, to maintain an even keel, it's absolutely wise to get diverse perspectives. You want to have your sounding board, you want your trusted counsel, so get more input, and delegate wherever you can. But people equally need it to help you with your vulnerability. These are times when we have to find those moments where we can go to our confidants, whether they're at home or at work, and let it go a little bit, it's okay to cry, it's okay to shed your vulnerability, that's what people are for, to help offer you the peer support, to offer you the virtual oxytocin that we all need during these times.

And as I think of the theme of people, try to think of those that you love and respect the most, who have managed during these times of crisis – and I certainly tried to imagine some of those people before critical communications, or critical meetings, or critical discussions – and channel their spirit towards that upcoming conversation that I need to have.

And finally, patience. Just remember, this too shall pass, and we all have to try to be stronger on the other side. But remembering that it's about the long term that's most critical and being patient and stoic will help you think a little bit more clearly.

I guess lastly as I go back to that theme of purpose that I just started with, I'm reminded of the purpose behind why we started MiniLuxe. Yes, it's a nail care brand, and yes it's a set of nail care studios across the country. But the real underlying purpose of why we started MiniLuxe was to create and celebrate mini moments of self care.

And during these times of stress and challenge, we absolutely need to find that balance and remember the small things. Taking a short walk, remembering to breathe, not just when your watch tells you to do so. And if I'm permitted to give a shout out to one of WaitWhat's properties, listening to content that is reflective, like [Meditative Story](#). Whatever gives you self care, whether it's meditating, yoga, doing your nails, whatever makes you feel a little more like you, that's what you have to try to do a little bit each day.

For me today, it was just waking up thinking about what I want to wear. As much as I love having worn sweats over the last two weeks at home, I decided that I should start today by wearing a tie and a new shirt. As my kids asked me what meeting I had, I said I had a really important meeting coming up that day. They said, "Which one?" I said, "Well, it's meeting this new day with its new challenges."

Just making an effort to do something that makes you feel more ready, as small and as silly as that might sound, is critical. We need balance and just finding joy in those small things from the humanity we see, from people singing on those terraces of Italy, to our own group putting together our song lists, to the virtual happy hours that are emerging across the social sphere.

These small things keep us connected. They remind us who we are, and they remind us that in the end we are all just so very human, and it's going to be our collective humanity that gets us through this. I really, really believe that. So lots of love to everyone out there. Let's win this. We're in it together, and we'll get to the other side together.

SAFIAN: Well, Tony, listen sometimes tears are warranted as you say, but channeling this spirit of optimism and embracing a new day and recognizing the gifts that we have and the gifts that we can give each other I think are great lessons for us to take away from all this. Thank you for sharing your thoughts with us today. We're wishing you luck.

TJAN: Thanks Bob.