

## MoS Episode Transcript – Unfiltered Summer, 2021

“Unfiltered with Reid & Bob: Crypto craziness, ransomware attacks, ‘smart risks’ & more”

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**BOB SAFIAN:** All right, here we go. Hi, everyone. Welcome to Masters of Scale, Unfiltered, a periodic dialogue between Reid Hoffman, the host of Masters of Scale, and me, Bob Safian, host of Masters of Scale, Rapid Response, about the most important business topics impacting entrepreneurs right now.

**REID HOFFMAN:** I've always found it valuable to talk through strategy in the business environment with my colleagues. There's an experimental aspect to these unfiltered sessions. It's not scripted, and we don't really know where we'll be heading. But we do know our listeners are on their own experimental journey too, and we want to mirror that in a similar way.

**SAFIAN:** Yeah. These unfiltered sessions are designed to put some context around what we're hearing in our podcast interviews and elsewhere, and a chance for us to discuss some key trends unfolding.

This time, we're going to talk about cyber security and smart risks, crypto and climate change, and how Covid-19 continues to reverberate through companies. Plus, we'll have a couple of cameos, from Compass CEO Robert Reffkin, and Guild Education CEO Rachel Carlson. Are you ready, Reid?

**HOFFMAN:** Absolutely.

**[THEME MUSIC]**

**SAFIAN:** So much to talk about. All right. I want to start with cryptocurrency. The price of Bitcoin and Ethereum and Dogecoin bounced all over the place this year. Miami's mayor said the city would accept tax payments in crypto. Bitcoin conference in Miami attracted 12,000 attendees. El Salvador's president announced the plan to make Bitcoin legal tender in the country. It sounds a bit like an HBO series. I'd love you to level set this for us about what's hype, what really matters. Are some people going to lose their shirts? Do I have to pay attention if I'm not directly in the crypto business or can I just ignore it?

**HOFFMAN:** I think most people can, in fact, ignore it at the moment. What's more, you should only really invest if either A, you're a professional investor, or B, you're investing money that you really don't mind losing because it's one of those areas where money will be made, but a lot of money will be lost. So it's not for the casual gambler. Now I do think

crypto is super important. Back in 2015, I gave a talk at Davos, which I later then developed into an article in Wired UK about how crypto was a currency asset and platform, crypto capital cap, that the world needed.

I think part of what you're seeing here is what happens when you have an open protocol like the internet, that allows a bunch of different developers with different ideas – starting with the pseudonym, Satoshi Nakamoto and Bitcoin – into a wide variety of other alternatives in order to say, "Here is something that could be a really essential way for enabling the internet, the HTTP or the HTTPS, a value and money," and not just obviously, in assets or in currency and in payments, but also in a platform for things like smart contracts. I think one or more platforms are going to exist for these cases.

Now, will some people lose their shirts? Absolutely. Will new great industries be built upon this? Absolutely. So whether or not you need to pay attention is whether or not how close your industry is to it. So if you're doing, for example, FinTech, you should be paying attention to crypto. It doesn't mean that it's all there all right now, but it is something that will be a part of the platform technologies 5 years, 10 years, 15 years, 20 years into the future. Usually, you want to be skating to where the puck is moving, not to where it has been.

**SAFIAN:** When I first encountered the idea of crypto, I thought it was designed to thrive without middlemen. It's sort of this independent area. Then you've got now exchanges like Coinbase that are worth \$50 billion, and something about that doesn't feel like it connects, although maybe there's something I'm not really understanding about how it's going to work when it becomes more of a business as opposed to a concept.

**HOFFMAN:** You're absolutely right. The part of the ideologues where to say it's the power to the individuals with the rules of the system being the algorithms between servers and not having middle institutions, middle people. Actually in fact, when you get to value, that is not necessarily good because if you say, "I've got \$10,000 of Bitcoin," or choose your cryptocurrency, "on my computer in a way that a hacker can steal it, that's suboptimal." Also, how do you safely transact? Like I'd like to trade some of my local currency for some Bitcoin, who do I transact with?

Obviously, these cryptocurrencies allow you to transact with everyone, but most people don't know how to do that transaction safely. So all of that is part of the reason why we have financial infrastructure and part of the reason why while I have been a great believer that the crypto capital systems will add a lot to our financial systems, I also think that doesn't mean that banks go away.

**SAFIAN:** I love that you bring up the security of it because that is a topic too that has become more and more discussed of late, this cyber security as a publicly seen threat with Colonial Pipeline being shut down by ransomware, JBS foods paying out \$11 million. We've seen during the pandemic the essential nature of digital engagement, remote work, virtual access, but it's

also made us that much more dependent on tech networks more interconnected, more exposed. How much should business leaders be focused, concerned about cybersecurity?

**HOFFMAN:** One of the things I say is, however fearful you are of cybersecurity and the needs for better defenses against cybersecurity, you're not fearful enough. This is one of the areas where you have no idea how much of the world is an emperor has no clothes situation, and these ransomware attacks are just examples. One of the things that they can do is to interrupt your business, to hold your processing of your business hostage.

One of the challenges that the world is going to need to solve with these cryptocurrency systems is they provide a very good way for being paid outside of the payments controls of current governments, which means that it becomes a very good way for demanding ransoms, where those ransoms are not recoverable, not traceable.

**SAFIAN:** There are all kinds of areas where there's a cost to the tech that we have in some ways that it can be easy to forget. I mean, yes, tech, ease of use, access, efficiency, but it's offset by some worry, some risk. I guess we don't get something for nothing. That is a reminder for all of us in this, that there are two sides to this tech world that we live in that we have to protect ourselves in.

**HOFFMAN:** Yeah. One of the things that I've been working on is to try to make sure that ethics is part of every computer science major, because you need to understand when this will really matter, and the same thing is true here, for example, cross-border transactions. You say, "What good is crypto for?"

The answer is, if I am a person who wants to provide work through the internet but I am doing it from a country that's not well connected to the global financial system, it's hard for me to get paid, which means that my talent can't be enabled that well. Actually, in fact, we want to have talent everywhere in the world able to make as much progress, because if one person who is, for example, coding in Sudan and generates money from it, then can support their family, then can support the local schools, then can support the local civic infrastructure, those kinds of things are super important for making progress in the world.

**SAFIAN:** Right. So if Bitcoin is legal tender in El Salvador, hopefully, that's to create opportunities for the population of El Salvador to do jobs that add value as opposed to making it a center for criminal enterprises in some way, right?

**HOFFMAN:** Exactly. Actually, I don't think that making it legal will make it a particular center for criminal enterprises. Because by the way, functionally, Bitcoin is actually in fact legal in many places, including the U.S. The IRS recognizes it as something they want to tax.

El Salvador's president making Bitcoin legal tender doesn't actually in fact make Bitcoin more able for the criminals. It's a perfectly decent and good policy thing to do, especially when you want to say, look, I want to make sure that my country has a stable economic infrastructure. I want my business community and I want my citizenry to know they have this stability, right? No matter what's going to happen with the government. And I think that can be a healthy move in a number of countries' circumstances.

**SAFIAN:** So the last time we did one of these, vaccines were just starting to roll out in large numbers in the states. Now we're further along and more than half the country has been vaccinated and the virus seems to be abating, at least in the states. And so I wanted to ask you some questions about, sort of, the lessons of the COVID era, this kind of black swan type global event. And I know many folks are predicting a kind of roaring twenties, but you could also see the other side of it. Do you have a sense about whether we're going to be looking over our shoulders more. What is it going to do to our relationship to risk?

**HOFFMAN:** Some people will look at this and say, this is a reason why to take risk, particularly take smart risks, that you can't rely upon everything else being stable and so you need to manage intelligent risk. That's obviously where I tend to start. There's also other people who go, oh my gosh, the world is really dangerous. I need to have a completely safe platform. I need to choose based on safety, given that I felt damaged or was damaged or felt at risk because of this.

So I think you're going to see both in some intensity. And so when people say, well, hey, is there going to be a whole bunch of new investments and a whole bunch of new entrepreneurship? Yes. Is there going to be a whole bunch of people scarred and having PTSD from the pandemic? Yes. And what we as leaders and helpers in the world should do is let's help both get to a better, more modern jobs, better productivity, because we're all better off when we have a high functioning economy. And so I think that's the answer for those of us who are, how do we help people on both sides of this risk equation?

**SAFIAN:** I spoke with Robert Reffkin, the founder and CEO of real-estate platform Compass, for Rapid Response, and he shared a particularly compelling perspective on the post-Covid environment. Let's listen in.

**ROBERT REFFKIN:** I think that it has been very stressful for me, and I think it's been more stressful than I am able to process. What I mean by that, I had a conversation with someone that I work with, and I was just telling him that it's hard for me to get excited about the rebound from COVID.

It reminds me of how I felt after my wife had her first miscarriage. The moment she told me that she was pregnant, I never felt so happy. I felt so happy, and I was crying with joy. Then a week later we found out that she lost the baby, and in the pregnancy since, I've never been able to have that same feeling.

So, I was explaining that to him, and what he said which really stuck with me, he said, "Yeah. This is a real form of trauma." And I think our country, we're going to have to figure out our own individual ways to deal with that, but we've all gone through real trauma over the last year. So, yes, we've had to support each other over the past year, but we'll need to continue to support each other going forward even after this is over.

**SAFIAN:** One of the lessons you talked about even before, well before the pandemic was the idea of letting some fires burn, that there's triage involved in scaling in entrepreneurship. That kind of traction was forced on organizations during the crisis, right? You deal with your urgencies and longer-term things, some of them can be pushed aside. And now I feel like some leaders are refreshing those delayed to-dos, or at least wondering, which of them do I really have to go back to.

**HOFFMAN:** In the categories of the things that I think will be different, I think that the notion of phone calls versus a video conference call, I think, has shifted a lot because the entire white collar professional class has gotten used to video conferencing, right?

Flying to a town to have a one-hour meeting, I actually think it will be like, hey, let's do an hour on Zoom. Fully remote events will be something that will continue, but it doesn't mean we won't have in-person events. And the principle thing that I find is everyone's like, well, now it's going to be like 50% work at home and 50% at the office. And it's like, well, actually I think it's going to pretty quickly go back to whatever the driving dynamic was for your particular office and your particular work from before.

So when you look at tech companies, a lot of tech companies tended to only have three-quarters of its employee-base badged-in in any particular day. Look, it'll be a little bit more now because there'll be more tools so that you could work at home a little bit more, a little bit easier. But the short answer is we had an office because actually in fact, building trust and connections at the office was really important. We had an office because sometimes everyone being in the room really matters, and that blended environment of some people in the room, some people not in the room really doesn't work that well for people who are not in the room.

And so I think that those things will come back much closer, much faster than people expect.

**SAFIAN:** I wonder how that culture element of organizations is going to shift and play out. It's like we went into the pandemic and there was a legacy for our culture about how the organization worked, and we could lean on that for a certain period of time.

And now that we've gone this long, what do we have to do to make sure that we can maintain or instill a culture going forward?

**HOFFMAN:** Well, let me start by answering what the fully distributed companies had learned even pre the pandemic, which is culture is something you have to build deliberately. It's harder to build in distributed remote circumstances. And so fully distributed companies put a lot of energy into specifically building culture. They also allocate time and budget for making in-person meetings where those in-person meetings are also about connectivity building.

And so however you do that, ultimately it requires a substantial in-person component. I think to whatever degree you're adding remote, you're putting in extra work to build the culture. Now, part of the reason why companies kept moving at fast speed is that they'd already built pretty intense connectivity.

And so when all of a sudden on whatever day in March you go, okay, we're now remote, it's like, okay, well, I still know who I'm talking to and I still trust that person's collaborating with me on this project and so forth.

And so I think that kind of direct and intentional culture building will be even more important to whatever degree we dialed up remoteness and distributed work.

**SAFIAN:** So one of the, I don't know, more dormant efforts during the pandemic was up-skilling, right? And as we come out of the other side, it feels like, of course it's become even more important to figure out how to develop a future focused workforce.

I talked with Rachel Carlson at Guild Education for Rapid Response. I know you know Rachel. She's seen rising demand for online education and certifications, and she asserted that the half-life of a skill today is only about four years and that we constantly have to be learning new skills. So, how do you think about this issue of upskilling?

**HOFFMAN:** So, the first thing is the half-life of skill on the four years is an average, because there are some skills where the technology platforms and so forth are changing so fast that your skill changes. And then there's others, negotiation, sales, analytic decision-making, those things are maintained throughout a career. I model things a lot in games. And I say, what's the gameplay of this particular activity, gameplay of early stage investing, gameplay of later stage investing, gameplay of investors, gameplay that's going on within a market like Silicon Valley or artificial intelligence or crypto? And then I go, okay, so what's baseline knowledge of things and what's baseline skills?

And so for me, when I look at this, I go, okay, what's the game? And then which things am I naturally learning because I'm in the game, and which things do I need to go add?

And more or less, I'd say you probably don't need to think about this every day as to what is my upskilling or what do my new skills look like? But you're probably making a mistake if you're not doing it at least every month. And it's in fast moving spaces like technology, it's probably worth thinking a little bit about each week?

**SAFIAN:** I was reflecting on this. I mean, in part, because of our jobs and we get to talk to new people, we're getting introduced to ideas, but I realized that I kind of go through waves. Like I'll do deep dive study on certain things. And then sometimes I'll do deep dives on what I call reflection. Like trying to find some long term perspective. I'm kind of trusting that my network is going to surface the most important things that I might be missing. But I realized I don't have a schedule, like a pattern. And if I'm hearing you, you're sort of encouraging, it's not bad to have a system.

**HOFFMAN:** It's not bad to have a system. And by the way, I think what you just added is another part that I use in my own system. So, one part is the games that I'm in. But another one is people around you. Anyone that you respect, that you're serious about, et cetera, what can I learn from them?

And it's actually one of the things that I think is part of the undertold story of Silicon Valley, because part of why Silicon Valley continues to generate such a massive percentage of the technology industry is because the people who are there are constantly learning from each other.

**SAFIAN:** For those earlier on in their careers, or at a more aspirational phase, they could often use some additional assistance from their employers, to get to the next level. Here's how Rachel Carlson, CEO of Guild, talked about it on Rapid Response:

**RACHEL CARLSON:** 100 million Americans, over two-thirds of the workforce, need re-skilling or upskilling in order to be relevant, employable, and be able to survive in the economy of the next decade. The problem is those folks don't know how to find what school or program they ought to go back to, let alone what they ought to study, because it's very hard to figure out what the future of work wants from all of us.

And so I think that education, learning and up-skilling are part of the corporate responsibility.

It makes way more sense for your company to be involved in your up-skilling than your healthcare, right? When your body was the unit of production, right? In the 20s, 30s, and 40s, it made sense why healthcare became a differential benefit is because you put your body to work every day when you showed up. But now most of us are in a knowledge economy, and our brain is the unit of production. And so I believe in a knowledge economy, your company should help nurture your brain.

**SAFIAN:** I want to ask you about another potential lesson or change from the pandemic. So, independent, smaller businesses had it particularly hard in the crisis and bigger companies with access to capital by and large had an easier time. And so you might get the lesson out of that, that bigger is better. That it's better to be Target than it is to be the corner store. But then I talked

with Andy Katz-Mayfield, who's co-founder and co-CEO at Harry's, the shaving and personal care brand.

And in the early 2020 government regulators blocked a billion dollar deal that they had set up to join a bigger company. It was the perfect exit squashed. And then on the heels of that, COVID hits. And yet now Harry's is valued even higher than before, because they focused on internal growth. I'm just trying to think about the advantages of being a bigger player versus going alone and whether that calculation has changed at all, or whether that calculation is as it's always been?

**HOFFMAN:** What I would say is generally speaking, it's good to be monitoring your environment, whether you're a big company or a small company, because there are benefits to being a big company. You have a broader asset basis, you have a larger number of customers. You might be able to draw capital or debt more easily. But on the other hand, of course, those things that are bigger assets that give you a larger cushion also could mean that you're slower to pivot, it's more difficult to change.

That if things start going sideways, it's like you're the Titanic and you're sinking. And there's nothing you could do to stop you from sinking. So, bigger is not necessarily better. And then similarly on smaller, which is, you can say, well, you're nimbler. You could adjust faster. But basically, what you really have to do is pay attention constantly. Are there things that are going to change my market environment? Some of those could be competitors. Some of those could be technologies, but some of those are pandemics or geopolitics or other kinds of things.

And you need to say, okay, should I have a fair amount of reserve? Should I be more protective or more aggressive? And so it's an active mind to these things. And I think what you see when you look back at the pandemic is that folks said, okay, I'm going to be active. I'm going to try to turn what could be amazingly difficult circumstances into opportunity.

**SAFIAN:** So, larger versus smaller isn't really what the calculation is. It's that whether you're large or you're small, find that opportunity and look for it, as well as the risk, but that there's opportunity out there.

**HOFFMAN:** This is part of the entrepreneurial mindset. Part of the reason why the entrepreneurial mindset is useful, even in circumstances where you're not planning on being an entrepreneur is to say, look, here's a negative or here's a crisis. Okay. Can I think of that as an opportunity in some way? It doesn't mean that everything is that way. Sometimes it just sucks. But sometimes you can go, oh, actually in fact, I can make something of this.

**SAFIAN:** One topic that became not overlooked, but maybe overshadowed, initially during the pandemic was climate change. I'll get anything delivered as long as I don't have to see anybody.

But it seems like the imperative around climate change is now stronger than ever. Board activists on the rise, even at Exxon, The boom in second-hand purchasing and marketplaces. Depop being acquired by Etsy for \$1.6 billion. I know you buy things on Depop all the time, Reid, you and I. It's clearly targeted for you and me. But how much as a business leader, do I need to be strategizing right now more about things like carbon footprint and environmental impact?

**HOFFMAN:** I think many business leaders are strategizing about sustainability and carbon impact. And I think it's a combination of three things. One, I think they think that it will become essential, and it's a longer term build. So, starting now is important. Two is I think they already see buying side demand amongst many consumers also amongst government, marketplaces, regulators. And so, they're going, okay, not only in the long-term, but right now demanding progress is important and can be competitive differentiation. They've also realized is there's ways to do this that are ultimately better for your business. That's a little bit like that crisis and opportunities, like, well, figuring out how to make this sustainable and green is not just an additional expense line. And the answer is, well, actually in fact, if I can figure out how to do that in good economic ways, that may be ultimately not as expensive because when larger carbon taxes come on board, or when throwing out garbage becomes appropriately priced as very expensive, or dealing stuff with pollution in the seas becomes super expensive. Then it's like, "No, I'm actually ready for that and ready for that kind of business continuity."

So I think all three of those things are reasons why it's a good thing to start working on now. And then the speed at which you're working on it, depends somewhat on your particular market, your particular customer, is your particular situation relative to how carbon is going to be appropriately priced for example. But the speed and ferocity of the investment depends on your circumstances.

**SAFIAN:** There's kind of a battle in the tech world these days between which tech is going to drive the next phase of innovation overall. Is it going to be AI or is it going to be crypto? But sometimes I feel like biotech gets a little short shrift in that. I mean, biotech enabled the vaccines, the mRNA vaccines that have been so effective. In the AI versus crypto battle, where does biotech fit?

**HOFFMAN:** First one quick note, which is there's this meme that's going around saying that AI is expensive on electricity. And this is just literally, people either know what they're talking about but are deliberately beating a drum just to get people to pay attention, or they don't know what they're talking about. Because if you actually look at it you go, "Sure training large models is expensive in electricity, but the runtime is actually, in fact, pretty cheap."

Second thing is, you apply AI to power grids itself and you get a lot more efficiency. And that may actually in fact, be net very accretive. And then the third is, when you're really looking at what is generating carbon and all the rest, most of these data centers are

focused very much on being carbon neutral. They're like, "Oh, we're using hydro and we're using other things," and it's not the place... It just allows people to kind of wave their hat and say, "This is where I have energy problems."

Now it's a little bit more tricky in the crypto arena because some of the proof-of-works things can be expensive, but by the way, it may very well be that we can figure out how to fix those things in good ways as well.

Now, to your specific question on bio, I think bio is extraordinarily important. I think it's being celebrated by software, artificial intelligence. I think that we already see the cost of reading genomes coming down at faster than Moore's Law, faster than exponential.

I think that the intersection of AI and bio is simply going to be amazing in terms of medicines and in terms of understanding our genetic conditions and how to fix problems that come down from genetics.

Now that doesn't mean that of course there couldn't be concerns, like you say, "Well, synthetic biology, does a disease get made? Is COVID the release of some dumb-asserie in a lab," for example. Well, those are legitimate concerns. Just like the making of killer bees in South America, which didn't require direct gene manipulation, it was just a breeding program. But the breeding program is genetic manipulation, just has to have less precision than you get with software tools and modern genetic tools.

So I think that when people say, "What are the technologies that'll make massive changes in the future?" AI, then synthetic biology is next, those two together on the stage with everything else at broader concentric circles around it.

**SAFIAN:** I'm trying to think of how to take us home here, Reid. Two areas I want to ask. One is about the potential of haves and have-nots from the vaccine process, access to some, certainly, live events, some jobs, some schools requiring for the fall. Is there a calculation of a framework that a business leader would use about encouraging vaccines versus requiring vaccines?

**HOFFMAN:** Look, the advice that I'm giving to people who listen to me is to simply say, "Even though you're not required to have a vaccine, but if you're going to the office, you're required to have a vaccine." And then you may at some point get to, "Hey, and you're required to be at the office, so by the way, that plays out to requiring to have a vaccine."

And they said, "What about your liberties?" Well, this is one of those cases where we balance liberties of your own health and your own choices against other people and work is to some degree voluntary. And so it's like, if I'm a leader at a place and someone's like, "Well, because my beliefs are... I'm not going to take the vaccine." You're like, well, then you may be bringing the disease in and why should we take that

risk for all of our other employees? And part of the reason why you take vaccines is because we are all much, much safer.

**SAFIAN:** Yeah. I mean, the impact of these vaccines has been extraordinary. It is just a terrific triumph of science that we have gotten to this point. And I think sometimes maybe we take that a little bit for granted compared to where we were in some of the depths of the pandemic and where some countries still are, because they don't have access to the vaccines that we have. The numbers don't lie.

This is about you Reid, if it becomes truly 100% clear that we're post-pandemic, "You're in the clear," right? What things are you going to do first, like business, personal? Are there things that you miss the most?

**HOFFMAN:** I've already started, and having friends over for dinner who are vaccinated, so we're all vaccinated, has been the very first thing. Because I've missed social much more than anything else. Work actually worked perfectly well through this virtual environment.

And then next month, I anticipate going to my very first business conference, Allen & Company Sun Valley. Partially because the Allens are so thoughtful and secure and protective, I was like, "They're the ones that I would invest the trust in, of getting it right."

**SAFIAN:** I'll say, I'm a little torn because I'm eager to see people more, to be out, to see the people who matter most, but I'm a little wary about being less efficient. I mean, I feel like we've gotten so much done during these times where we have been remote. There is a transition I feel like pulling inside me a little bit about, how do I intentionally want that work schedule to look, and how should it look for the people around me?

**HOFFMAN:** I think it's good to be thoughtful, but I also think it's good to experience it as you go. Because I think that as we regain our connectivity with other people, we will discover what the right balances are, what the trade off of getting more efficiency by being able to do everything from one particular place in-studio versus go to an office versus travel for meetings? And I think they will all still be there, but it may be a different blend as we reenter a post-pandemic world.

**SAFIAN:** Well, Reid, thanks again for doing this. We've been working together for over a year now, and it's all been remote, and I look forward to being able to be in person and share some of this stuff face to face.

**HOFFMAN:** I as well, Bob. This is always fun.

**SAFIAN:** Thanks again for doing this. And I'm Bob Safian.

**HOFFMAN:** I'm Reid Hoffman.

**SAFIAN:** Thanks for joining us.