MoS Episode Transcript – Mellody Hobson

"How to accelerate expertise"

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> **BROOKE MACNAMARA:** Say you are an investigator. Looking at crimes, right? You can't practice this in your living room. You have to figure it out as you go.

REID HOFFMAN: That's Brooke Macnamara. She's a psychology professor at Case Western, and she studies how people in different fields learn. You might say she's an expert on how to become an expert.

And she often puts conventional theories to the test. Like one you may know as the "10,000 Hours Rule."

> **MACNAMARA:** This idea that with practice, anybody can become an expert became very popular when Malcolm Gladwell wrote his book *Outliers*, where he claimed that with 10,000 hours of deliberate practice, so practice focused on improving, anyone could become an expert at any task.

HOFFMAN: You may have read this book too. And if you did, it might have made you excited – all I have to do is put in the time, and I can become an expert at anything!

Brooke became intrigued by this 10,000 hours rule, or more formally the "deliberate practice view."

> **MACNAMARA:** The deliberate practice view became very, very popular. The problem was, it was unclear whether it was true.

HOFFMAN: Brooke and a team of researchers decided to find out. So in 2014, they did a meta-analysis, or a study of studies, into deliberate practice and its effects.

> **MACNAMARA:** This was across domains from chess to music, to sports. And what we found was that on average, deliberate practice explained about 14% of the variance in performance.

HOFFMAN: 14% isn't nothing, but it's also not exactly the overwhelming results you might think. And the results varied a lot by field.

> **MACNAMARA:** So for a classical musician, they are attempting to re-create a piece of music perfectly and exactly the same way every time. So, absolutely probably one of the best ways to do that is practice. Other jobs, or other domains, don't have that same kind

of match, right? There can be a mismatch with practice and what performance is. And in those cases, practice is going to not predict performance quite as well.

HOFFMAN: It's not that practice isn't tremendously useful – it's more that, it isn't the only thing. So, how much do we think the 10,000 hours method helps entrepreneurs, as opposed to pianists?

MACNAMARA: Best guess would be 1%.

Now, that was the category that had the least amount of research. So I do want to put that caveat.

HOFFMAN: Caveat noted. But if the 1% figure shocks you, take a deep breath, because this is actually great news. Because entrepreneurs generally don't have 10,000 hours to master each task. Your product landscape is constantly shifting. Every hour has multiple demands on it. And opportunities crop up in unpredictable areas. To seize those opportunities, you need to speed up to meet them. But, you also need to make sure that as you're moving fast, you're also learning well.

That's why I believe when deciding between fast learning and deep learning … choose both. Learning fast is foundational to entrepreneurship. Learning deeply is how you stay in business.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe that when deciding between fast learning and deep learning … choose both. Learning fast is foundational to entrepreneurship. Learning deeply is how you stay in business.

I want you to close your eyes and picture an archer with a bow and arrow. But don't picture them standing still – this archer is on the move. They're sprinting through the woods, in pursuit of wild game. Or maybe they're in battle, with enemies closing in.

The archer puts the arrow to the bowstring, draws back, and lets it fly. It sails through the air at 300 feet per second and lands, right in the center of its target.

So in that scenario, what was more important: moving fast, or aiming true?

The answer of course is both. That's easy enough to understand when it comes to arrows. But in real-life entrepreneurship, it can feel almost impossible. How do we make sure we're moving at the speed of opportunity … while making sure we're still aimed in the right direction?

The only answer is to learn how to accelerate expertise. That is, to do everything you can to learn from every mentor, every opportunity, and every mistake.

I wanted to talk to Mellody Hobson about this because as a business leader, she has made it her mission to learn both fast, and well.

She was employee number 19 at Ariel Investments, the largest minority-owned investment firm in the U.S. She started as a college intern. Eleven years later, she became president of the company. And in 2019, she was named co-CEO alongside Ariel's founder, John Rogers. Along the way, she's joined or chaired several nonprofit and corporate boards, including recently becoming chair of Starbucks Corporation. And most recently, she's co-founded a new private asset management firm, Ariel Alternatives.

Mellody's ascent is about much more than just efficiency, though she is one of the most highly efficient people I know. It's about how she's learned to accelerate past the 10,000 hour rule, gaining expertise fast, while also committing to deep learning and thoughtful execution.

Mellody grew up in Chicago, where her family struggled economically. From an early age she knew what kind of expert she wanted to be.

> **MELLODY HOBSON:** I feel like I've been focused on money my entire life. It had a lot to do with scarcity in some very dramatic times in my childhood. And that scarcity really led me to have a desperate need to understand money. It was this looming issue in the background and in the foreground of my life.

HOFFMAN: Even as a teenager, Mellody could see these critical lessons were on a ticking clock.

> **HOBSON:** So I really needed to make money. I was not 16 years old, but I said I was 16 years old, and I got a job working in a storeroom at a store called Terry D on Oak Street in Chicago, which is the equivalent of Chicago's Rodeo Drive or Madison Avenue.
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> I'm working in the store room, it's windowless. I mean, literally the only door, there's a door to the alley, and it has bars on it. And in the summer it was hot. So I left the door open and homeless people in the alley would look into the room while I was sitting and working. I had a transistor radio, and I would unbox and tag the clothes when they came in and enter them into a book, not even a computer system.

HOFFMAN: In that windowless store room of a Chicago clothing boutique, Mellody got her first, less-than-glamorous exposure to running a business. But the lack of windows didn't slow her down. Nothing did.

> **HOBSON:** I loved it because I was the first one to see these amazing clothes when they came in, and I felt super useful. The problem was I got the job done really fast every single day. So they started to realize I needed something else to do. So they said, "Why don't you go work in the office with our bookkeeper and help her after you've done

opening the boxes?" So I'd open the boxes, steam the clothes, put them on the floor, and then go help the bookkeeper.

Then they'd say, "Go and get lunch." So I'd go and get lunch for everyone in the store.

So then they said, one day, someone had to step off the floor, and they said, "Could you go down to the floor and help?" So I go down to the floor, a woman comes in, and she spends $5,000 with me on clothes, which to me that was a car. And she gave me a tip of $100. So I'm blown away by this.

And then finally they say, they're having problems closing out the cash register every night, and they're not getting it to balance. "Can you do that?" So I'd start in the morning with the storeroom, bookkeeping, working on the floor, and then closing out the cash register. And I got a sense of how an entire business worked.

HOFFMAN: Mellody got her own crash course in retail, and it was made possible by executing her first assignment both accurately and fast. Being a quick study is how she advanced to each new task. Being a careful study is why her coworkers kept asking her to do more.

This ability to accelerate through the learning curve helped Mellody in school as well. So when it was time to choose a college, she'd earned some extraordinary options.

HOBSON: I'm trying to decide between Princeton and Harvard, my mom is pushing hard for Harvard. My mother said, "You could go to an African village and say Harvard, and people know what you're talking about. It's like Coca-Cola. And that's not true of Princeton. Princeton is like Sprite."

HOFFMAN: Mellody was inclined to trust her mother's advice when fate and an unusually persistent alumnus of Princeton intervened. She was invited to a dinner for incoming Princeton students, and even though she'd mentally already made her choice, she showed up.

HOBSON: And I sat next to this alum from the class of '65, named Richard Misner. I said, "I'm just coming to meet people. I'm not going to Princeton." And he was shocked.

HOFFMAN: Richard recognized Mellody for the promising candidate she was. He spent the evening trying to win her over to the Princeton team, and they kept in contact even when the function was over.

HOBSON: And then one day, he said, "I need you to miss school in the morning, high school, and come to breakfast at The Chicago Club." I walked into a room, and there were six businessmen sitting around the table. Now, I didn't know any of these people. I could tell they were really important.

HOFFMAN: In fact, the table was populated with CEOs and business leaders who also happened to be Princeton alum. One of them was former basketball player-turned-U.S. Senator, Bill Bradley.

> **HOBSON:** I sit down and Bill Bradley just looks at me. And he said, "What are you doing here?"
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> So he spent the entire meal, basically grilling me on high school and telling me at the end, he's like, "I think you'd be really great at Princeton." I was like, "If any people would work this hard on getting a student to go to a school, it's the school where I should go."

HOFFMAN: In that moment, Mellody learned something unexpected. When making her decision, there was a variable she'd been failing to factor in. Both institutions could promise her a top-notch education and impressive mentors. But one of them seemed much more invested in getting her up to speed fast. It was their zeal that made the difference, and those people she wanted to learn from. People happen to be great accelerants for learning.

Once in college, Mellody kept a sharp eye on who would be the best accelerant to her learning. One alum in particular stood out: John Rogers.

> **HOBSON:** He was known around Chicago. My mom used to tell me, "He's the stock-picking wunderkind." And he had been picking stocks since he was 12 years old.

HOFFMAN: By coincidence, John had also been at that alumni breakfast Mellody told us about.

> **HOBSON:** John had started Ariel when he was 24 years old. Back then I can tell you, young black guys weren't starting money management firms. I know those in Silicon Valley think that's no big deal starting a company when you're 24, but that didn't happen then in 1983.

HOFFMAN: In John, Mellody saw someone whose experiences in many ways were parallel to hers. So she shadowed him closely.

> **HOBSON:** He was a trustee of Princeton while I was on the campus. And so, when he'd come for the board of trustees meetings, he'd stop in and have coffee with me or lunch. And we built up this rapport. So I got up the nerve one time to say, "Do you take summer interns? I'd love to be a summer intern." And that really lit me up on this whole subject of money and investing.
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> **HOFFMAN:** Yep. This might be the longest high talent recruiting story I know of, just probably, but like, "We started before you went to college. When we brought you to college, I was trustee, and I would look you up when I would come by." And then, "Hey, by the way, what are you doing post college?"

HOFFMAN: Mellody thrived at Ariel and working with John. In fact, after graduation, she bypassed opportunities at bigger firms to commit to Ariel, and continue deep study with her mentor.

> **HOBSON:** I spent several years going everywhere that John Rogers went and just listening to him. And I tell these stories about things I used to do, which now seems so weird, like I was a strange stalker. John used to read at McDonald's every Saturday morning, at the Wabash Mcdonald's under the train tracks in Chicago. And I found that out, and I used to go and sit with him while he read. And then I'd see everything, all the newspapers that he would buy. And then I'd buy the same newspapers and sit with him and try to read in order, in case he got onto a page or a subject and wait for him to talk to me.
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> And so he would look up and say, "Here's the story. You should look at this." Or he'd rip out a piece of paper and tell me to follow up on it.

HOFFMAN: This kind of learning might not seem very fast. But fast learning doesn't always mean bouncing from lesson to lesson. It also means building in periods of deep study and intense focus. Remember, it's not just about moving with speed. It's about moving with speed and accuracy.

This quote-"Stalker" method of mentorship was highly specific to Mellody and John. Your process might be very different. That's OK! It's actually faster to learn in your own style than it is to try and adopt one that doesn't fit.

> **HOBSON:** I wrote John's correspondence. He would have me write letters to very important people, and then he would say things like, "You didn't address them the right way." So I had to go back and rewrite it. "This is too impersonal." I'd have to go back and rewrite it. "You have contractions in this business letter."
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> He wouldn't tell me on the front end. He'd have me do it, then correct it. So it got hardwired when I'd write one letter like four times in a Selectric typewriter. I'm not doing this on a computer in those early days. And so I became very, very fastidious about those kinds of details.

HOFFMAN: I call this approach being an explicit learner. And it's the mindset that may just help you the most. It's entering situations with the express intent of learning something new. It's the reason why I often ask my guests, "What would you say if you could call your younger self?" This is how Mellody approached her early work at Ariel.

> **HOBSON:** I spent the first couple of years just listening to how he would answer a question.

The second layer of my development was thinking through, could I answer the question the same way? So I'd try to answer it in my mind before he'd speak. And then the third layer was, do I have a better answer? And that was part of my development and growth in those early years inside of the firm.

HOFFMAN: Notice what Mellody did to push her own development along. She first sought to intake how her mentor would react to a given situation. Then she worked to replicate it. And finally, she challenged herself to innovate on this answer.

What's important about this kind of learning is, it's dynamic. Entrepreneurs are constantly taking in new information, navigating new circumstances. So it helps to have a way to both draw on the leadership of our mentors and advisors, and adapt that knowledge to new situations.

HOBSON: I actually don't know who said it, but they said, "An expert is someone who knows more and more about less and less."

The idea of being an expert was something that I had adopted as a principle so early in my career. When you think about how you need brain surgery, you don't go to your general practitioner, right? I said, "I want to be the brain surgeon of what I do."

HOFFMAN: Mellody rose in the ranks at Ariel. And the more expertise she gained, the more she wanted to contribute. It turns out that focusing your expertise becomes simpler when you've got a vision to focus on.

HOBSON: What I was really worried about in the first few years was that I was excellent at being given tasks and completing them. And I was like, "I want to have vision. I don't want to be someone who just executes because that is not value-add over a long period of time."

HOFFMAN: But soon, Mellody's vision began to take shape when she started traveling more with the firm, and she noticed something odd.

HOBSON: We would go around the country, speaking to groups to spread the word about Ariel. And we'd look at the rooms, and we noticed that there were no Black or brown people. I literally looked at John once, and I was like, "Houston, we have a problem. Something's wrong." We're speaking. We're two Black people in these rooms, and we're not seeing any people like ourselves.

HOFFMAN: What was staring Mellody in the face was the racial wealth gap in the United States, a problem that, like interest, only compounds with time. The less wealth you start out with, the less you can invest, which means the less you know about investing, and the less information about it may be passed down from a trusted family member or friend.

In that moment, Mellody realized there might be a new use for her growing financial expertise. She was in a prime position to be a learning accelerant for others, especially people who looked like her.

> **HOBSON:** I realized so quickly, especially in those early years of feeling some level of financial security, how debilitating it was when I was worrying about money. That it just literally affects your health and your mental health and everything else. And I thought, I could actually change this. I could be a vessel for people to realize even a little bit of savings compounded over time could change their life.
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> I could help other people not repeat some of the mistakes that I felt that my mother had made when I was growing up that had sometimes put us at great financial peril, even though she was a wonderful person who worked so hard, my work ethic comes 100% from her, and she had the best intentions for our family, but she just didn't know better sometimes.

HOFFMAN: As a child, Mellody had watched the impact missing information had had on her family's life. So she was motivated not only to spread the word well, but spread it quickly.

> **HOBSON:** I went all in, up and down the food chain doing these investment classes. I'm not a financial planner or a financial advisor, we're money managers. But I saw that I had some knowledge and information, and I had ability to explain things in ways that made them approachable to people.
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> I remember doing an investment seminar in the basement of Cabrini-Green, which is one of the worst housing projects in Chicago. And all of these Black mothers showed up wanting to learn about the stock market. And I realized there's power in this message.

HOFFMAN: Mellody locked in on a mission of speeding the learning curve for individuals who had the least time to spare.

Ariel soon doubled down on this mission in an unusual way … by starting their own school. Ariel Community Academy was founded in Chicago in 1996, for kids pre-K through eighth grade. It provides a financial education curriculum for these kids, most of whom are Black, and most qualify for free lunches. It's exactly the type of student Mellody observed was missing out on early financial literacy.

But the kids don't just receive theoretical knowledge. Each class also receives a $20,000 investment portfolio. Ariel starts out managing the investment. As the kids learn more about investing, they start managing the portfolio themselves. After they graduate, half of the portfolio's profits go with them, which the students have the option to accept in the form of a 529 savings account for college.

The school's founding marked a real, concrete step towards addressing the racial wealth gap Mellody had observed. But she wanted these lessons to reach even farther. And one day, she got help in this mission from an unexpected ally.

[AD BREAK]

HOFFMAN: We're back with Mellody Hobson of Ariel Investments. When we left her, she was working to bring financial literacy to communities who had been left out of the conversation. She taught investment seminars at housing projects, and had even helped launch an investment-focused school. The goal was both to accelerate the pace of learning for these communities, and deepen their understanding.

But one day she drew the attention of someone who could hand her an even bigger megaphone for this mission.

> **HOBSON:** I had been on the cover of Working Woman Magazine with a story called 20 Under 30.

HOFFMAN: The story covered Mellody's investment seminars. It turns out one of Mellody's heroes read the story.

> **HOBSON:** I'll never forget it. She called my cell phone directly. I was on the curb outside of my building getting into a cab to go to a black-tie. And she said, "Hi, this is Diane Sawyer."

COMPUTER VOICE: Diane Sawyer, news anchor on ABC.

> **HOBSON:** And I thought someone was joking because Diane Sawyer had been an idol of mine. So I said, "Okay, who is this really?" And she said, "No, it really is Diane Sawyer." She was the one who said, "You could be a very different voice. I think people will listen in ways that they never listened before, especially different audiences. And I think you should think about coming on Good Morning America to talk about money."

HOFFMAN: Mellody took her up on the offer, and became a regular contributor. It would be a scale jump in her ongoing efforts to accelerate the public's learning curve around money.

> **HOBSON:** I became a regular, every week flying to New York and talking about the topics of the stock market and investing. I spent so many years just breaking down math. We called it Mellody's Math. And I would do something as simple as, "Oh, it's summer vacation time. The average vacation costs this. You're going to go on vacation and put it on your credit card and eight years later, it will be paid for." That kind of thing.

HOFFMAN: Mellody was bringing her explicit learner mentality to the public – the things she would have wanted to tell her own younger self.

HOBSON: Remember, I was not used to even being able to pay my bills in our family. So in those early years of Ariel, I started to think about everything that I wanted, or maybe even considered buying based upon how many days it took for me to work to make it. So everything I quantified in days of work. And then it just left me to see like, "Is it that important to me?"

I was trying to be very practical in helping people to break down the value of money, because money is often overvalued. Time is undervalued. And people really need to understand where that intersection is and how they can get that balance to work for them.

HOFFMAN: These lessons are simple, but that doesn't make them simplistic. They're principles even seasoned entrepreneurs can learn from right now.

Take the one Mellody just shared with us, about the value of money relative to time. It might have been geared towards a salaried employee or an hourly wage worker. But the idea behind it is one Silicon Valley still struggles with. Startup capital is constantly overvalued relative to a founder's time. Because only one of those things is something you can make more of.

You may know this, but when you're in the proverbial foxhole, it can be tough to keep top-of-mind. That's where knowledge reinforcement comes in. And it comes from the people around you.

I said earlier that people are terrific learning accelerants, and that's true. They're also learning deepeners.

Mellody herself understood inherently that being considered an expert by millions of people didn't mean she was done seeking advice. Remember that powerhouse network of Princeton alums that she met while still a teenager? She made a point to keep as many as possible in her life, including Senator Bill Bradley.

HOBSON: He used to have me come to Allen & Company for lunch. And I would sit amongst all this unbelievable American Western Art.

And I remember him looking at me one day, and he's like, "It's going to be really interesting to see if you develop into a whole person." I'm like, "What?" He's like, "Everyone doesn't make it." And I'm like, "What do I need to do?" He's like, "We won't know for a long time."

HOFFMAN: Out of context, this might seem like some rough advice. But Bill was a longtime mentor, someone Mellody trusted implicitly, which is what made the next piece of advice even harder.

> **HOBSON:** He's like, “You're going to have to really work hard not to be a ball hog. Because you have a personality that when you walk into a room, you could suck the life out of it." And I am sitting there, and I'm telling myself in my head, "Don't cry. If you cry, he will never speak to you like this again. Just be curious. He loves you, keep going."

HOFFMAN: This is incredibly personal and specific advice Bill Bradley gave Mellody. And she absolutely had the option of not taking it. But instead, she found it resonated with her. Even the most dedicated learners have blindspots. And it’s important to keep advisors around you who aren’t afraid to point them out.

> **HOBSON:** I tried to think after that conversation of how I could make sure I was never a ball hog. I mean, that day I remember flying back to Chicago and saying, "How could I make sure that's not me?" And one of the things I do as a result of that, and I am maniacal about it, whenever I meet anyone all the way down to an assistant who comes and picks me up in the lobby, I just start asking people questions about themself. And that way, turn the conversation on them. And I learn a lot.
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> And my husband jokes. He's like, "God, going to dinner with her, it's like an interview."

HOFFMAN: Mellody’s husband, for context, is writer/director George Lucas. So he knows what interviews sound like.

This question-first approach to learning has stuck with me.

> **HOBSON:** I learned people love to talk about themselves. They love to give you free advice. And so, I just started to engage in that manner, and that ultimately allowed me to build the rapport with individuals over time.

HOFFMAN: Mellody turned tough-love advice from a mentor into a tool for fast learning. That’s not the outcome every time someone gives you advice, of course. But it is the sort of discovery that happens frequently in entrepreneurship. Ideas come from unexpected sources. A product you thought would do one thing ends up doing another. Being an explicit learner means you must constantly factor new information into your thinking. Becoming both a fast and deep learner is rarely something you’re born with. It’s a practice you keep.

> **HOBSON:** I was texting with Howard Schultz today, and I ended my texts, and all I just kept saying was, "Keep teaching me." That's what I'm saying to him all the time right now as the new chair, I just say, "Keep teaching me."

HOFFMAN: This text exchange makes perfect sense these days, as Mellody recently became the new chair of Starbucks.

She’s also on the board of JP Morgan Chase and has served on many others. Mellody and I talked about this new role, and how to be an effective board member, in our full-length conversation, which you can enjoy when you become a Masters of Scale member. Go to mastersofscale.com/membership to learn more. I promise, this conversation with Mellody alone is worth it.

Mellody has remained at Ariel Investments to this day. She joined Ariel's founder, John Rogers, as co-CEO in 2019. Her former mentor is now her working partner. And together, they continue to run the company with a priority on explicit learning, even when it's uncomfortable.

And this approach is key to Ariel's latest initiative.

> **HOFFMAN:** So we've got this evolution of financial literacy, but one of the things you've been very known for in the last decade has been the importance of economic justice, the importance of racial justice. When did that start? And where are you on that journey right now?
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> **HOBSON:** There was a point in the fork in the road. And I remember this very specifically, the TED Talk was one of those moments, back in 2014, where I decided that I would speak my truth around race and the issues that were affecting our country.

HOFFMAN: For context, you can still find Mellody's TED Talk online. It's a searing, yet optimistic, explanation of what she calls "color brave."

> **HOBSON:** The thesis there was this idea of not being color blind, because so many people had told me they were color blind, and it was just a refrain that I heard over and over again. And it started to actually grate on me. And I said, "If you're color blind, you haven't noticed that everyone around you is exactly like you. Something's wrong with this system. So I'm going to now invite you to see race because you will see what is missing in your life."

HOFFMAN: Since 2014, conventional wisdom has started to come around on the value of seeing and acknowledging color – in large part because of talks just like Mellody's. What has lagged behind is meaningful actions to support this new understanding.

> **HOBSON:** I think people, when it comes to this issue of diversity and inclusion, they speak too much in generalities and in anecdotes when everything else we do in business is much more hard-nosed. When we don't meet the goals and objectives of organizations around profits, around earnings, et cetera, we lose our jobs. But when it comes to diversity and inclusion, if those goals and objectives aren't met, nothing happens. People say they're working on it. And I've been joking for years and years, I married Yoda's dad, as you know. And he says, "Do or do not, there is no try. The try is where people think that it's fine."

HOFFMAN: In keeping with her pursuit of learning both quickly and accurately, Mellody has applied this same standard to herself and to Ariel, by founding and rolling out a brand-new initiative.

> **HOFFMAN:** So one of the things that you've been working really hard on recently is Ariel Alternatives, which I think is not just important for the business world, but actually important for society overall. Talk a little bit about what you're doing, how you started it, and how it's going.
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> **HOBSON:** Ariel Alternatives was actually the result of a phone call from Jamie Dimon last summer.

COMPUTER VOICE: Jamie Dimon, chairman and CEO of JP Morgan Chase.

> **HOBSON:** He called me one day, and he said, "You know, Mellody, a lot of people want to help Black business." And he said, "We're trying to kick around some ideas and maybe putting some Black and Latinx-owned investment firms together to create some kind of financial product." And I said, "Jamie, I have an idea." So I spent the weekend writing a memo, and I called it Project Black. Project Black became the first initiative of Ariel Alternatives.
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> The idea is to scale sustainable minority businesses by bringing two things together: capital and customers. John Rogers would say to me, "Mellody, people are constantly when it comes to minority business talking about access to capital, access to capital, access to capital." He said, "Access to capital is important, but access to customers may be more important." And I started to realize, after I went on the board of JPMorgan, if you've got a fistful of receivables, they'll lend you money. So this idea of capital and customers, we said, "How could we bring this together to scale big businesses?"
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> And so we thought we could create minority businesses that would be tier one suppliers to Fortune 500 companies who are looking to diversify their vendor lists both figuratively and literally. And so we said, "If we could do those with minority businesses and create a virtual circle for those businesses to have big businesses to transact with, we could actually create some minority businesses of scale." So we're targeting businesses between $100 million and a billion dollars in revenue.

HOFFMAN: Mellody is exactly right. Capital can be important, but the thing all businesses need is customers. And even if you give someone scale capital, if they don't have scale customers, scale capital doesn't help them. So generating business demand really matters. And this is a lesson Mellody wants investors to learn in a lasting way.

> **HOBSON:** We started to look at the fact that 95% of minority businesses in this country have less than $5 million in revenue, 95%. And yet, Fortune 500 companies right now are spending about 2% of their spend with minority businesses. But their stated goal is to

spend 10 to 15% of their spend with minority businesses, which means there's a trillion dollar opportunity out there, but we really have a scale challenge. We don't have the businesses of size to do that. So that's where we said, "Let's create these businesses. But we're going to do something very different." They won't necessarily be minority-owned when we buy them, we will transform them.

And we will buy these businesses, we will add in diverse talent from the C-suite and board all the way down to the rank and file. We will share ownership in those companies. We will have a majority-minority board. We will whenever possible, diversify those businesses if we're moving into a new area, into underrepresented communities where we can have an economic impact. And our overarching goal over time is to narrow the wealth gap in this country. Typically, when they talk about growing minority businesses, they talk about small businesses and seeding those businesses and having them grow, but instead, we're going big or going home.

HOFFMAN: This is a great example of pushing to speed up the pace of learning, but in a way that doesn't skip past assumptions.

It's the entrepreneur's challenge to learn both quickly, and deeply. So it's a victory every time someone says, “Challenge accepted.”

I'm Reid Hoffman. Thanks for listening.