

Masters of Scale Episode Transcript: 100th Episode

“What matters is telling the story: The 100th episode of Masters of Scale with Reid Hoffman”

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BRIAN CHESKY: I just have this kind of simple model of entrepreneurship. All a business is, is that you have to just make something that people love enough to tell other people about it.

HOFFMAN: That’s Brian Chesky, co-founder and CEO of Airbnb.

“To scale a business, you have to make something that people love enough to tell other people about it.” That is one of the jewels shared in today’s 100th episode of Masters of Scale – where you’ll hear a roundtable discussion with five of our all-time favorite guests, including Brian.

But we’re not just looking back, we’re looking forward. Each of our guests today share what they’ve learned, what they’d say differently, and what has changed in their scale journey.

We’ll hear from Tyra Banks.

TYRA BANKS: Because if they don't think it's cool, big poppa is not going to be calling. They're only calling now because we're new.

HOFFMAN: Sallie Krawcheck.

SALLIE KRAWCHECK: I'll be a little sparky and a little controversial.

HOFFMAN: Franklin Leonard.

FRANKLIN LEONARD: That which is great that moves an audience emotionally is the thing that they will talk to a friend about. And that is how those things will become successful, especially in a highly connected globalized world.

HOFFMAN: And Angela Ahrendts.

ANGELA AHRENDTS: To do anything great, when you build a team, you gotta hire for trust. It has to be built on trust. And if it is, the world is your oyster.

HOFFMAN: I hope you enjoy the 100th episode of Masters of Scale.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. Welcome to the Masters of Scale 100th episode round table. I'm joined today by our executive producer, June Cohen and five iconic founders, entrepreneurs, scale leaders, and friends of Masters of Scale.

Please welcome: Tyra Banks, founder of SMiZE Cream and Bankable Productions, creator and executive producer of America's Next Top Model; Brian Chesky, co-founder and CEO of Airbnb; Sallie Krawcheck, co-founder and CEO of Ellevest; Franklin Leonard, founder of The Black List and film executive; and Angela Ahrendts, former Apple head of retail and former CEO of Burberry. Welcome everyone.

LEONARD: Good to be here.

BANKS: Thanks Reid.

KRAWCHECK: Thank you.

CHESKY: Thank you.

HOFFMAN: To break the ice, I'm going to start by leading us through a classic round table discussion on entrepreneurship. Let's dive in. What's harder about entrepreneurship than most people realize? Brian, maybe you'd like to kick us off?

CHESKY: Sure. Thank you very much Reid. Hey everyone. I always had this impression that you start a company by yourself or with a couple of friends, and it's kind of a lonely thing. And then you become, hopefully, very successful. As you get very successful, all these people join your company. What I didn't realize is the more successful you get, typically the lonelier you get. For me, I think the loneliness and the isolation is probably the thing that's so hard. I think the reason why is because, I mean, Reid you used to say starting a company is like jumping off a cliff and assembling the airplane the way down.

Well, the problem is most people don't know what that's like unless they've done it. I think the challenge, at least when I came to Silicon Valley, is that a lot of entrepreneurs don't really confide in other entrepreneurs. Pablo Picasso once said, "The older you get, the stronger the wind gets, and it's always in your face." That could be said for the isolation as well.

HOFFMAN: A hundred percent.

LEONARD: Yeah. I would echo that profoundly. I think if I had to put it in just a few words, it would be the crippling self-doubt that you're doing it wrong. That only gets worse, like you said, Brian. The more success you have, the more people are dependent

on you. At the end of the day you have to look at yourself in the mirror and say, am I going to build this plane by the time we hit the ground? That part of it for me has been the biggest challenge. Fortunately therapy exists. It's a big boon to my survival, but I agree with Brian, the more we can talk with each other about the realities of dealing with this stuff, likely, the better off we'll all be.

KRAWCHECK: Yeah. This is Sallie. What's harder about entrepreneurship than most people realize? The answer's everything. The loneliness, absolutely. Particularly coming through a pandemic when it's even more heightened because you are trying to figure out what's going to happen, trying to figure out how it's going to affect your company, trying to save the company. Everybody in your network is doing the same thing at the same time. Some of whom were sick at the same time. But even beyond that, at the beginning, you are always one mistake away from failure. Raising money. I know we're all supposed to say, "Oh my gosh, it was so easy. They threw money at me, I was so oversubscribed." But it's rare that that happens. I think, what's harder? Everything.

BANKS: I think one of the things that is really hard is when you're successful and you're doing it and making money and making impact, you win together. When you fail, you're alone. You, as that founder, are stuck with that failure where the team can move on to the next thing. That can make you feel a little lonely. Team is crucial. However, when you lose, you're alone.

JUNE COHEN: I just wanted to add in that in hearing everyone's answer here, I think it's so interesting that there's almost always the default answer from entrepreneurs is actually about the personal journey, and that's not what most business media cover. I think one of the most interesting things we've learned together, Reid, on this show, is that it's actually the personal stories of entrepreneurs that speaks perhaps even the most loudly to our audience, that the show becomes a company on the journey. And then through the valley of darkness, that is it, it happens to all of us along the way.

HOFFMAN: Amen. Let's move on to the next question, which is: What's the most expensive lesson you've ever learned? Sallie, why don't we start with you on this one?

KRAWCHECK: Yes, it is holding onto people for too long. You start a business, everybody tells you it's going to be hard if it's not going well. Nobody tells you it's going to be hard if it's going very well. Because you scale through people who started the company with you, and it happens so dang fast. Someone is doing great this week. Next week they look a little miserable, they look a little unhappy, and you're, "Well, they're having an off week and the second week and the third week." Having grown up at big companies, you try to re-pot them, you try to coach them, you try to help them. They have your heart because they started with you. And so I kept too many people in roles they shouldn't have been in too long. Frankly, I tried to re-pot too many people rather

than just saying, you know what? It's time to move on. Reid, I've learned that lesson now several times, just not once.

HOFFMAN: Yes, indeed.

KRAWCHECK: It hurts the whole company, if you don't do it. You've got to steel yourself for the good of the company to say goodbye to people you love.

HOFFMAN: Franklin, same question.

LEONARD: I actually think the most expensive lesson I ever learned was that I needed to trust myself more and lean into what I am now doing. I think I lost a lot of time and frankly, potential impact by not building The Black List into a business sooner. That came about I think as a result of trusting that the people that were running the system, running Hollywood before, had the best interests of the industry in mind and in heart, and were capable of executing on what those best interests were. I since realized that's not the case, which is why my business is thriving. I wish I had realized that lesson a bit sooner.

HOFFMAN: Yeah, indeed. Angela, what's the most expensive lesson you've ever learned?

AHRENDTS: Not trusting my original gut instincts. When you have an idea, a vision, a dream, keep using your instincts. I think, take all the input from everyone else. But if it doesn't align to your vision and dream, then who's to say that's any better than your instincts? I've only failed when I've not trusted my instincts.

HOFFMAN: And Brian.

CHESKY: Number one is not hiring senior leaders fast enough. I think the other one, and Angela has been on this journey with me is, when I started Airbnb, I didn't know any better. I just did what I thought was right because I had no other advice. I think the challenge is that every company starts unique, unique to the founders. The challenge is as you scale, you start to bring in people, investors, executives. If you're not careful you start to conform. Every company starts looking more and more alike, the bigger they get, and you start to lose a little bit of yourself every single day if you're not really careful.

I think the challenge is you want to listen, you want to take advice, but then you also ultimately want to listen to your own path and do something that is unique to you.

HOFFMAN: So we're now going to transition. I've interviewed everyone here for their own episodes of Masters of Scale in the past. I'd love to reflect on our original conversation and your episodes a bit. Brian, I'd love to start with you. As many of you know, Brian's episode was the very first episode ever of Masters of Scale, so it's only fitting we start with Brian. I think we're going to start with playing a clip from your episode.

CHESKY: I didn't realize I was the first episode, Reid.

HOFFMAN: Yes. Not a surprise.

CHESKY: Wow, that's pretty cool.

HOFFMAN: It was an effort towards an 11 star design for Masters of Scale.

CHESKY: I hope it started on a good foot.

COHEN: The 11 star experience, it's a classic.

CHESKY: Oh, thank you.

HOFFMAN: Let's listen.

[Brian Chesky Clip]

HOFFMAN: They have to promise investors the world. Tens of millions of customers, billions in revenue, it's intoxicating. Just listen to Brian go.

CHESKY: This is a travel industry. That is something like 7% of global GDP, somewhere between five and \$7 trillion – 10 times the market size of Google's market size.

HOFFMAN: Brian might've stayed in the stratosphere, if not for a fateful meeting with Paul Graham, co-founder of Y Combinator.

COMPUTER VOICE: Y Combinator is a startup incubator, which cultivates and invests in early stage companies.

HOFFMAN: Brian was admitted to Y Combinator in 2009. His first meeting with Paul was confounding. Paul tends to stump people with deceptively simple questions.

CHESKY: He asked us, "Where's your business?" I go, "What do you mean?" "Where's your traction?" I go, "Well, we don't have a lot of traction." He goes, "Well, people must be using it." I said, "There's a few people in New York using it."

And he said something I'll never forget. He said, "So your users are in New York, and you're still in Mountain View?" I said, "Yeah." He said, "What are you still doing here?" And I go, "What do you mean?" He said, "Go to your users. Get to know them. Get your customers one by one." And I said, "But that won't scale for hugely millions of customers. We can't meet every customer." And he said, "That's exactly why you should

do it now, because this is the only time you'll ever be small enough that you can meet all your customers, get to know them, and make something directly for them."

HOFFMAN: Brian and his co-founders followed his advice to the letter.

CHESKY: We literally commuted to New York from Mountain View. So we would be in Y Combinator for, what was it, Tuesday night dinners. And then Wednesday Joe and I would go to New York. We literally would knock on the doors of all of our hosts and we had their addresses and we'd say, "Knock, knock. Hello. Hey it's Brian and Joe. We're founders. We just want to meet you."

HOFFMAN: It's a little creepy just to knock on the door unannounced.

CHESKY: We needed excuses to get in their home.

HOFFMAN: So they came up with an offer that the host couldn't refuse.

CHESKY: We'd send a professional photographer to your home and photograph your home. Of course, we didn't have any money and we couldn't employ photographers. So Joe and I, we'd show up at their door. And they're like, "Wow, this company is pretty small."

HOFFMAN: These home visits became Airbnb's secret weapon. It's how they learned what people loved.

CHESKY: It's really hard to get even 10 people to love anything, but it's not hard if you spend a ton of time with them. So if I want to make something amazing, I just spend time with you. And I'm like, well, what if I did this? What if I did this? What if I did this?

[End of Brian Chesky Clip]

CHESKY: Wow.

HOFFMAN: So Brian, I am sure that you remember this.

CHESKY: Oh yeah.

HOFFMAN: It's among the things that I really loved was the kind of both scrappiness and vision of the huge future. Any reflections as you now look back from Airbnb being a global platform everywhere in the world with becoming its own, both verb and noun, for things back to that kind of early photography moments?

CHESKY: Yeah. I just have this kind of simple model of entrepreneurship. When we joined Y Combinator, the first day they'd give us a t-shirt, and on the front of the t-shirt it said, "Make something people love." And the basic idea was all a business is, is that you have to just make something that people love enough to tell other people about it. It seems so simple. Of course, to make something people love can be quite difficult. But if you spend time with them, if you understand their needs, you can start with a perfect experience for like one or two people. I think what ends up happening is people skip that step. They try to go into company-building mode. They try to go into system-building mode. And the business is actually so much simpler. You have a customer, you make something for them. They either kind of like it, they like it, or they love it.

Like this advice Paul Graham gave us was: build something a hundred people love, not something a million people kind of like. It's very, very hard to make something a hundred people love. And the challenge here is, scale is your enemy. A lot of entrepreneurs are obsessed with scale. And I tell them the biggest gift you have is lack of scale, because the bigger something gets, the harder it is to fix or renovate. Imagine renovating a tanker versus a very small boat. And so embrace being small, make something perfect because that's going to be what fuels your company going forward.

HOFFMAN: Well, which enables you to get to scale since obviously you do have to get to scale.

CHESKY: Exactly. And then eventually you have to operationalize the scale, but only after you've perfected the product.

HOFFMAN: All right, Angela, I'd like to come to you next. But before we dive into your clip, do you have anything to add, given that you're on the board and that you're now, actually in fact, part of this journey?

AHRENDTS: Yeah, I think... Brian just summed up their journey so brilliantly. And it was funny when he asked me to join the board, I told him that I would only do it if he continued to dream. I said, "You cannot become a traditional corporation because I actually believe that Airbnb has the power to influence how really great corporations, great companies, run in the future." So I just was honored for him to ask me to be on that journey with him. And I remind him constantly that he is not to be a traditional company. They dream of changing the world, and they can do it through Airbnb. They're doing it.

HOFFMAN: Amen. So I think we're now going to do a clip from Angela in a similar pattern.

[Angela Ahrendts Clip]

HOFFMAN: Frequently when you do a startup and you do a product launch or a mission, there's this original conception, then there's things that you learn as you're getting the

product market fit. What were some of the things that you learned along the path of it, to tune it, to refine it, to make it better?

AHRENDTS: We had moved a couple of people from Marcomm over.

COMPUTER VOICE: Marcomm, marketing communications.

AHRENDTS: And then they hired a whole team of people because we didn't have, in retail, we didn't have a huge marketing department to even create this. We spent a tremendous amount of time. And I was so clear on my vision. It's iOS live. And if it's iOS live, it has to replicate every single thing on the phone because it's the 3D live version of it. So if it's the number one camera in the world, and that's what everybody knows, when they walk into a store, it's got to be intuitive that those classes, courses, are all about photography. And I was so clear, over and over. But there were a handful of them that were like, no, no. Steve was also about art and creativity. But there's not an art app. I was being so black and white and so linear and pushing hard on it, but they finally convinced me that I shouldn't be so black and white, and some of the best classes today are some of those on art and design.

HOFFMAN: Which aren't necessarily a specific app on the phone. Yes.

HOFFMAN: What's interesting to me about this moment is that Angela wanted a logical direct correlation between the app on the iPhone and the class being taught. And it was her team that convinced her to let the class topics be more intuitive. The proof that she had built the right team and the right approach is that when it came time to make a critical decision, they showed her the right answer. They had adopted the elevated mission as their own. That's how you unite a global team. You inspire them with a guiding mission. You connect them face to face. Give them a reason to buy in, to think big and think different, and then watch them take ownership of the mission itself.

[End of Angela Ahrendts Clip]

HOFFMAN: So Angela, obviously many great things here. Everything from the parallel, from the app of the iOS into the store and the platform, to the creativity and generativity, to team kind of giving permission for the team to drive underneath the mission and making that happen. Any reflections?

AHRENDTS: The thing that came to mind as I was listening to it was we never used the word trust. And I think that to do anything great – whether it's your investors, the founders, whether it's the team you're bringing in – when you build a team that just innately trusts, and you got to hire for trust, and then what happens is then everyone feels empowered. And I think it unlocks their greatest creative thinking. I trusted that team. And so that's why it was open for them to convince me to do something differently.

They were experts in their field. Just because I had a vision doesn't mean it was right. And I don't think we talk enough about trust in any sized business, but every relationship, it has to be built on trust. And if it is, the world is your oyster.

CHESKY: And I'll just jump in to say, Reid, you wrote a book called *Blitzscaling*. There's an old saying, "Things move at the speed of trust." So in startups, I think trust is especially important because that is really how fast you can move.

HOFFMAN: Yep. I completely agree. We've touched on it a couple of different ways in *Masters of Scale*. I think those are essential points.

[AD BREAK]

HOFFMAN: Alright, so let's move on to Tyra. Should we play the Tyra clip?

[Tyra Banks clip]

HOFFMAN: When something like COVID hits an entire business can be crushed in a matter of weeks. But your personal brand is still with you, and that allows you to pivot in a bold new direction. Tyra did just that.

BANKS: Smize Cream, which is an innovative ice cream company. It went from an idea to have been launched now, which is crazy. The craziest pivot I have ever done in my life. To go into consumer packaged goods and food, and to go into a place that was passion for me but not expertise was pretty crazy, but I am so proud of this product. And I'll be a hundred percent honest, when I started I had a passion for ice cream, but just thought good ice cream was good ice cream, and I did not understand it.

And I had said yes to some product that I thought was good, but then we had some kind of technical difficulties with the manufacturing process. So it allowed us to slow down. And Reid, I ordered from every single ice cream company in this country that delivers. I have about 250 pints of ice cream. I have six freezers in our garage, and I tasted: Ooh, too dry. Ooh, too much air. Ooh, too much fat. Ooh, too much of this. Ooh, not enough of this. And then I was like, oh my God, this is no longer a passion, this is an expertise.

HOFFMAN: Tyra's epic journey from model to reality show creator, to Stanford instructor, to founder, to ice cream magnate is one that might not suit almost any other entrepreneur on the planet, but makes perfect sense for her. And that is exactly the point of cultivating a personal brand. Startups can come and go, and so do employers. In our current very uncertain landscape, the thing that remains constant is you. How you solve problems, how you learn from mistakes, how you build networks and relationships, and what you stand for.

[End of Tyra Banks clip]

HOFFMAN: So this reminds me that one of my still action items from our discussion was to follow up to get your expert recommendations on ice cream. But of course the more general point for our listeners is that what you teach at Stanford is the importance of approaching this on a kind of a brand and entrepreneurial and a high engagement with the customer. Are there any reflections, anything that you would add or change or develop since our conversation?

BANKS: So when Brian was speaking about creating a product for a hundred people and not a million, and to really start pleasing a few before trying to please a ton, it really struck me. I have recently tweaked the strategy for Smize Cream, because we have a big megaphone, we have a lot of opportunity, and a lot of opportunity to do things fast and big. And we're getting these phone calls, this huge store wants us in 2,000 of their stores next summer. This country wants to do subsidies and bring us there. And so then we were like, oh my gosh, we need to produce it in mass, and we need to produce in bulk, and we need to just get it out there, out there, out there. And it made us lose touch on being able to pivot fast and create flavors fast and to do crazy, wacky things that we know we're going to make lines happen.

So we ended up creating all this product that can go out to the world because there's all this demand on a mass scale, but forgetting about the customer. Because if they don't think it's cool, big poppa is not going to be calling. They're only calling now because we're new. And so Brian, when you're saying that, it just touched my heart and my spirit and my soul, because I have paused on all the big orders. Because you can get on those shelves or get on this crazy distribution, but if you don't sell, you get kicked off, and it is hella hard to get back. So I said, pump the brakes. Let's R and D and just build the most crazy, tasty, what the hell, eating experience for a hundred people. So I didn't think of it in the way that Brian was saying, but hearing it from you, Brian, it's like, you were my instructor today. So I want to thank you for that because it's that gut that I had that I said to my team, but now you've given me some vocabulary to go back to say it in a different way to the team.

CHESKY: Thank you.

HOFFMAN: And any other folks with reflections on when, because obviously the usual thing on entrepreneurship is go, go, go, go, go, scale, scale, scale, scale, scale, hitting the brakes as a smart thing. Any other add-ins?

KRAWCHECK: The other thing I would add is also know when it's time to shift. During the pandemic I remember calling my head of product and saying, "All I know is the world has changed completely – maybe for some period of time, maybe for forever. But I find it hard to believe that we would be doing exactly what we're doing today if we knew this was coming. And so let's take a step back." And the storm was there. I mean, it was a force five hurricane type of thing. And just trying to find the quiet and the moment to

really think deeply about what we should do. And for us at Ellevest, what we did was stop everything. And then we'll pick up the product roadmap on the other side, which ended up being different than the one we'd been working on.

HOFFMAN: Yep. Well with that, I actually think we should go to Sallie's clip next, which is, I believe, our next clip up.

[Sallie Krawcheck's clip]

HOFFMAN: Sallie realized that despite all the connections she had in Wall Street, she would need to build her own network from the ground up. Sallie would work to ensure it was as diverse as possible and put in place systems to ensure that diversity was vigorously maintained.

KRAWCHECK: Okay. So, networks are huge. Networking has been cited as the number one unwritten rule of success in business. And men tend to have stronger networks than women earlier on, which is one of the reasons they go ahead. So back up.

One of the delights of moving into the world of entrepreneurs has been the network of female venture capitalists and entrepreneurs on the west coast. I found my way into building that early. And it has been such a really uplifting support for me.

It's interesting, on Wall Street, we just didn't have it as much among women. And I've never been able to figure out why. And someone said to me last week they think it's maybe because we all competed against each other. Where we were competing for deals or competing for the trade. Whereas the women out here could do business together. What I would say is: you gotta start building it from the moment you start. Who are entrepreneurs that I want to get to know, who are doing similar things, who maybe if I'm still in business, I can advise so I can get to know them? Who can they introduce me to? And my approach to networks is I try to do as many favors as I possibly can, that it's not about what I can get from it. It's what I can give and give and give and give to it. And that it will come back to me later.

[End of Sallie Krawcheck's clip]

HOFFMAN: So this is really timeless advice on the networking side, which everyone here having succeeded at getting to scale knows. Was there anything in that part of the episode or discussion or stuff that you've learned in the years intervening that you would amplify and build on that or any other commentary, Sallie?

KRAWCHECK: Well, I had completely forgotten about that part of the interview. But I would say I'll be a little sparky and a little controversial, which is that somehow you gentlemen learned early on that business is a team sport. And you fund each other, and you invest together in companies, and you bring each other in the deals, and you put

each other on the boards, and you talk each other up. And somehow we, women, along the way, sort of picked up that it was an individual sport. And there was a reason for it. The research has shown if we promote each other in corporate America, historically we sort of got hit for it. Oh, look, all the women together. And maybe it's the rows and rows of books on how to get ahead in business for women that none of them say, look, you've got to do the same thing. But y'all have gotten further ahead than we have.

And so women coming together to support women is a key to us becoming more successful. So many times you hear, well, if it's for women, it feels sort of junior varsity. But there are massive opportunities. And you can look at Ellevest and say Ellevest is women, we're 75% women, solving problems for women, putting more money in their hands, investing, that men just didn't see. Bumble, who knew that women needed a dating site where they made the first move, except for Whitney? Goop, who knew that women were looking for health and wellness in that way but Gwyneth? The Honest Company. So there are such big opportunities for us, but they are much easier to access if we fund each other, work together, share ideas, network, and not let the old ways hold us back.

COHEN: I love that, Sallie. And may I jump in for a minute, first of all, to applaud that attitude and approach? Also, I'd love to add something on that that I'd love to see from women founders because I think everyone here will remember that Masters of Scale has always had 50% women founders on the show. And what you learn from that is you suddenly realize how many highly successful women founders there are who often don't put themselves forward. And I would like to make a call out to every woman founder out there to say yes to the next speaking opportunity that's offered to them. It's one of the challenges we have on this show and that everybody has in business media especially and across the board is that women founders tend to decline the invitations to speak. So thank you so much to Sallie and Angela and Tyra for saying yes, because it's role modeling, too. The more women step forward, play those roles, play to the audience, the more we realize there's actually far more women leaders in the world than we realize.

LEONARD: Yeah. If I could jump in here and maybe be a little sparky too. The system that men created by and large has allowed their self-interest to be perpetuated by these transactions. And it was only possible for women to get ahead by engaging in a system that was not of their creation. And so when you see more systems that are authored and sort of created by women, there's an incentive structure to sort of move ahead as a team, which is why we see women-led companies, women-led organizations have greater diversity in their leadership teams and get better outcomes as a consequence.

HOFFMAN: Amen. Let's go to Franklin's clip.

[Franklin Leonard's clip]

LEONARD: For the last couple of years we've been doing these lists with affinity groups. We want to put people in a position to be like, well, here you go. Here's a menu. Here's that bushel of needles. Don't worry about the haystack.

HOFFMAN: I love this iteration of our theory because lest we forget, haystacks are terrible places to keep needles. Creating these lists, especially to find the best writers from different demographics helps upend the old systems and to let new talent into the room. It disrupts that old system of pattern-matching by looking for new patterns. But in the case of the Black List, it's been important to Franklin Leonard to make sure that the proof is still in the product. After all, art is subjective, but movie-making is a business. Who's to say the scripts and the writers they're finding are actually the best? Well, the numbers say it for one.

LEONARD: 1,200 scripts in the list. 400 of them have been produced. 54 Oscars. Four best pictures. 11 of the last 28 screenwriting Oscars. That's crazy. \$30 billion in worldwide box office.

But the icing on the cake for me was Harvard Business School did a study specifically trying to look at the economic impact of the Black List. And I want to be clear that this is not causative, it's correlative, but it's still notable. Movies made from scripts on the Black List made 90% more in revenue than movies made from scripts not on the Black List.

Start with a great script. Have the best chance of making a great movie. Have the best chance of making money. In practice, is it 90%? No. Maybe. I don't know. Is it always 90%? No, this is a probabilistic situation across the portfolio. And I think a lot of people in the industry have trouble understanding those kinds of thinking systems. But at the end of the day, I will take a 90% revenue advantage based on my ability to select material. I'll put that up against anybody else controlling for all of their factors. And again, it just comes from a simple place. Find scripts that people are responding to emotionally.

[End of Franklin Leonard's clip]

HOFFMAN: So you already mentioned earlier that one of the things was productizing the Black List sooner. It was one of the things that was kind of one of those lessons, which I completely agree with, and I think is amazing. Any additional reflections, Franklin, from this thing, which is the core iconic inside of this amazing new thing on finding scripts?

LEONARD: Yeah. It honestly goes back a little bit to Brian's comments. I've sort of always believed that all artists are entrepreneurs on some level. You're accreting labor and capital in order to create something that has value in the marketplace, whether that be emotional or cultural artistic value or financial value. But it's the same engagement. And so it doesn't surprise me that people who think of themselves as creative are also very successful entrepreneurs because that skillset overlaps heavily.

And if anything, I think I'm just more sure of that even a year on. And everybody's talking about *Squid Game* right now. And to bring it a little bit back to this diversity thing, that which is great that moves an audience emotionally is the thing that they will jump on social media, their group chat, or talk to a friend about. And that is how those things will become successful, especially in a highly connected globalized world. And I think it's really incumbent upon Hollywood to focus on the signal and not the noise. And the noise is, is the actor a white male under the age of 30? The noise is, is it the right genre? The signal is, is this something that people love? And if you can make something that people love, and it's easy for them to get, as it is with something like Netflix around the world, you will have a hit. It's kind of just that simple.

And I think a corollary of that unfortunately, is that the film and television industry has historically not been great at that because they've been more focused on the noise than the signal. There was a McKinsey study that came out earlier this year. That shows that Hollywood is losing \$10 billion a year annually, solely driven by anti-Black bias, by a series of assumptions about Black talent and the saleability of Black content. And that's just Black people. That's not every other marginalized community, including all women. Who knows how much money there is to be had by, again, focusing on the most talented people, making the best stuff and making that stuff available to an audience? And I, for one, am excited that the sort of world in which we live makes that reality a little bit closer than it was even five years ago.

HOFFMAN: Awesome. So let's end with saying, look, where does storytelling play into how you tell your founding story, what you're doing, how you're doing your company? Franklin, since obviously that's the business we just talked about, we'll start with you.

LEONARD: I'm going to turn the tables a bit here, Reid, because I realize that I have no idea about your founding story of this very podcast. I don't know how much time we have, but I'm just going to say let's start with yours.

HOFFMAN: Maybe I should actually turn that to June first.

COHEN: That is so funny, Franklin. So I think that the founding story of this podcast started with what would later become the theory in the Reid Hoffman episode of it, which the theory in the Reid Hoffman episode of *Masters of Scale* is: in order to scale, you have to make other people the hero in their own story, not yours. We were founding our company, WaitWhat. We were deciding what would be our first media property we brought to the world. We thought about two things. We thought about, "Where is there a large community of people who have a daily habit where we can play into it?" We thought, "Entrepreneurs always, always, always are looking for advice and insight."

Then we thought, "Both who is the person in that space who can offer the most advice, the most insight, the most wisdom, and would be most motivated to do so? Who will be

the hero in their own story by bringing wisdom to entrepreneurs?" The only answer to that is Reid Hoffman, and so I pitched my old friend Reid on Masters of Scale.

LEONARD: And we are all better for it.

COHEN: Reid, did you know what was ahead?

HOFFMAN: No. June's one of the very few people who could persuade me that I might have a chance at being talent. But actually, the storytelling stuff is super important. All of us are there.

LEONARD: Here's my contribution to the, sort of, storytelling discourse, since ostensibly I'm supposedly an expert, and it comes back again ... I think it's just a recurring theme in this conversation. It is about the human emotional reality of any of it. If I'm telling my story, I'm talking about being in an office, being like, "I've got to find some good scripts, and how am I going to do it?" Right? The most effective stories are the ones that center a person, make that person actually human, and move a person emotionally with the recounting of their adventures. I don't know that there's any other way to tell a story effectively. That's true in entrepreneurship. That's true in movies. That's true if you're sitting at a bar next to somebody in an airport. You've got to make them feel.

HOFFMAN: Tyra?

BANKS: So I have two thoughts when it comes to storytelling. The first is I am a child of the nineties, came into this entertainment industry in the nineties, when things had to be polished and things had to be perfect, and you had to present yourself like so. I have a hunger to tell my Smize Cream story and to tell it in real time and to not tell it perfectly and to not tell it beautifully. But I struggle with that. I struggle with wanting to take people on this journey, because they think things just pop up. But I think it's important to, what I tell my students, to work out loud. So that is a challenge that I want to do to be able to tell real-time storytelling.

I think it's important that we live in a world that the world does not want to see ta-dah. They want to see the journey.

On the work, or shall I say the enchanting side of storytelling, I always tell people to lean into your truth and to lean into your strengths. I have a passion for ice cream, and now I'm an aficionado and an expert based on the time put into it. However, my core competency is storytelling and producing and knowing how to delight and give people what they don't know that they want and creating new words and nomenclature and things.

HOFFMAN: Yep. And Brian.

CHESKY: I think the way to tell your story as a founder is passionately, all the time, in a way that everyone can relate to. The little I know about storytelling is most characters want something, and this drama is the obstacles to getting that thing. Well, what is the ultimate manifestation of that other than an entrepreneur? Everyone knows what you want, and the obstacles are things that almost everyone can relate to. Maybe everyone can't relate to the entrepreneur, but everyone can relate to the struggle. So I think you tell it every single time, and you don't just tell what happened, but why it happened and how it felt. Then suddenly people can relate to you, because they may have done what you've done, but they've felt how you felt. The moment they relate to you, they start to root for you. You humanize the company.

This becomes more important as you get more successful, because as you get more successful, you become less like the person, they think. I think it's really important, and I think the job of a founder is you're the chief evangelist of the company. When you're hiring people, you're basically trying to get them to follow you by telling the story. When you're putting out a product, you're telling the press and the customer. When you're raising money, when you're talking to partners, when you're telling your story to regulators, every single time you tell the stories, it's the first time.

HOFFMAN: Indeed. Angela, one of the things I learned from yours was the quarterly pull-together of those magical moments and achievements, another storytelling thing. Anything you would want to add there?

AHRENDTS: Yeah. Reid, I love the fact that you call it storytelling, especially for all the entrepreneurs that are listening, because I think people talk to them about leadership and culture, and they don't really, truly understand what that means. But I think as Brian and Tyra said, your story is your passion, and it's your energy, and it's your vision, and it's your values. It's getting the authenticity of what you are doing out there. I think also, when you talk about leadership, other than storytelling, they don't tell you that it's okay to be vulnerable, right?

Like Brian said, every story has highs and lows, and what I've learned, I called it leadership. But calling it storytelling, what I learned is often the most vulnerable that you are and when you are a bit insecure and you share with the team that you don't know, and you need them, that's actually when the team unites the strongest collectively to achieve incredible things.

HOFFMAN: Sallie, the power behind the... all of these things that need to happen with women at Ellevest has obviously got both systems and stories. So over to you.

KRAWCHECK: Now, the storytelling is so important, and it's important externally. It's very important internally. I meet with new employees, once a month or every couple of weeks. The first bit of the conversation is the story of Ellevest and making sure that they

know the founding story. I was putting my mascara on one day when all of a sudden, and that is literally how Ellevest started, with the mascara going on and sort of a stroke of insight.

The other thing I would add is the story may have to shift for the audience. So for some folks, they are feminist. They understand that money is power, that women will have more power when they have more money, and they are there. For other folks, I begin with, "Well, you may be thinking Ellevest is about the dumbest idea around," and then you get a, "I really do. Yep. I really do." So did I. Then you can take them from that place. But if you start on chapter three for them, you've already lost them. So knowing who your audience is and tailoring the story to that audience.

HOFFMAN: And June?

COHEN: I'd love to build on all of those answers, saying having spent the last many, many years working on stories from extraordinary entrepreneurs here, stories from extraordinary thinkers at TED, I'd say the single most important thing in storytelling is what was reflected with almost every single one of you, is the vulnerability. What I remember most in each of your episodes were the moments when you were really vulnerable, Sallie, whether it was you being bullied on Wall Street, Angela, the moment of you starting at Apple. You're like, "I hated it. I hated it." You never hear a leader say, "I hated it." Brian, so many times the, "Joe and I were broke at the beginning," the moment in the pandemic when you felt like a captain with a torpedo aimed at your boat, I will never forget that sound in your voice. Those are the moments that stay with the audience, and they stay with the consumer. They stay with the investors, and so I just think vulnerability, it's like that's the story that sticks.

HOFFMAN: I think with that, we are a wrap for all of our listeners. Think, "What is your story? What is the story that you live? What is the story that you tell?" Thank you from my heart, Angela, Brian, Tyra, Franklin, June, and Sallie for joining us today. I'm Reid Hoffman. Thanks for listening.