

Masters of Scale Episode Transcript: Need to know

“Metaverse mania, the great resignation, Facebook quandaries, and more”

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BOB SAFIAN: Hi, everyone. Welcome to Masters of Scale: Need to know, a periodic dialogue about the most important business topics impacting entrepreneurs right now between Reid Hofman, the host of Masters of Scale, and me, Bob Safian, host of Rapid Response. Reid, it's great to see you.

REID HOFFMAN: Bob, it's always great to see you.

SAFIAN: There are so many challenging and intriguing areas for us to delve into from post COVID resets, to the great resignation and more, so if you're ready, you're ready to go right at it?

HOFFMAN: Bob with you, always ready.

[Theme Music]

SAFIAN: So I want to start with an amorphous topic for a lot of people, and that's inflation. There's a lot of uncertainty about the true state of inflation in the economy right now; what's genuine, what's transitory?

I'm just curious if you have any general reactions about what changes in the way you approach your business as a startup or a scale-up, if inflation is more of a factor?

HOFFMAN: Generally speaking, you have so many different problems doing a startup or a scale-up that you just put it out of your mind, it's not something that's within your zone of control.

Now, inflation can affect appetite for investment or in pricing, because the people who are doing investing do worry about returns on capital and how inflation plays out on that.

And so it might affect your capital market, which you do have to have as a fundamental strategy as part of being an entrepreneur.

But the rest of it is, just as we say, "Let fires burn," let as many other problems be an irrelevant factor to you because you have so many problems, either as a startup or as a scale-up, and focus on those limited fires that are really decisive.

SAFIAN: And when it comes to these macro impacts, whether it's inflation or supply-chain disruptions or things like that, it's more about reacting as opposed to planning? Well, it depends a little bit on which business you're in.

HOFFMAN: Well, it depends a little bit on which business you're in. If you're doing an e-commerce business where you're shipping things, or you're relying upon something getting in from the port, the supply chain will make a substantive issue for you.

Now, generally speaking, while in startups, you try to say, "I want to plan for things that are long term, not for things that are femoral or temporary."

Part of the supply-chain worries is: is that something that is six to 12 months, or is that something that's three plus years? And if it's three plus years, you probably have to factor it in. If it's six months, you're going to probably try to patch it as much as you can. And then in between, it depends a little bit about how relevant it is.

SAFIAN: I know you're a believer that there's often opportunity in disruption, right? When you look at these larger things, should you be looking for where the opportunity is inside it?

HOFFMAN: It certainly depends on the business industry. Most often you have to consider what is the timeframe clock in which you're looking for opportunities, and almost never is it short.

Even if you're doing something like games, casual games delivered through the internet, which is probably one of the fastest clock businesses where concept, development, maturity, and existence, and deployment of game may be in an order of months.

So at three months, you're done from the whole product cycle. Even then, you're thinking about, "Well, what does the next few years look like?" Because even in delivering something that short, well, what talent do you have? How are you organizing your product development? How are you researching the deciding on future products? How are you trying to build the right stability?

So even on the shortest one, you're probably in at least a two-year timeframe. If we're developing semiconductors and chips, then you're in multiple years.

And so that means that usually when you say, "There's an opportunity. There's a supply-chain trouble, I could build my business to that opportunity." Well, unless you think that the supply-chain troubles are in the order of magnitude of years, then you shouldn't align your startup strategy, business, product, service against it as an ongoing differential.

Usually when I do an investment, it's on the order of decades like, "Okay, this will be persistent and valuable for decades."

SAFIAN: I love the way you've described that Reid, because I think so many business people, they're rushing or running from one opportunity or perspective opportunity to another, because you're so eager to get that advantage. But sometimes all that energy, all that work, is not actually taking you to where you ultimately want to go.

HOFFMAN: Yes, exactly. Because you have to think about this as, "How am I building a persistent institution?" Even if by the way, of course, you're trying to keep it inventive and innovative and fast-moving and non-bureaucratic. I don't mean any of those things by institution, but a persistent, like the market space you occupy, is persistently valuable over years and preferably over decades.

SAFIAN: So the pandemic created big opportunities for some businesses. Now we're seeing some retreat and even some backlash in some of these areas.

I was thinking about places like Zoom and Peloton, they took off, and they're now experiencing a reset. Does deceleration for businesses necessarily indicate trouble?

If you're not scaling upwards in a straight line, is that a signal of weakness?

HOFFMAN: Look, there's a lot of details depending on what is the genuine momentum of your business? What is your strategic position? What's the ongoing demand? If you just said, "Look, it isn't that it's stalled, but it's volatile." So sometimes it's really up, sometimes it's not really up, and some type of volatility, your principle weakness there is that the market tends to have a lot of buyers and sellers who are quarterly.

And so they presume that when you have the pandemic as a gale force wind behind you, Zoom, Peloton, et cetera, they'll say, "Well, if it's happening right now, the default bet is that's just going to continue and so I'm going to bet on it."

And the moment it doesn't happen is that the default thing is that you're going to continue declining. So I'm going to bet on you declining. So you get volatility within the stock price, which then of course as you know, because this is one of the many areas where you were much more an expert than I, Bob, which is, the press loves to write the stories of changes.

So it's up, it's great, it's heroic, it's down, the game is over, hurricane in the horizon. And so that capital market, stock market, plus the press causes you some volatility, and that causes you some trouble, no matter what.

SAFIAN: And so the valuation tells part of the story about what's going on with the business. But it doesn't necessarily indicate where the long-term direction of the business is going to go, if the business is predicated on a larger shift that's ongoing, right?

If you believe that more people are going to be exercising from home in the case of Peloton, or certainly what happened with Airbnb through the pandemic, it went the other way around. Right?

HOFFMAN: Exactly. Now, part of Airbnb, which was one of mine and Greylock's investments, was: we knew that networks are not just compounding and up, but they're also adaptive. So part of the strategizing that Brian Chesky and I did together was actually in fact, even though travel's getting real hit, people still have an intense need for travel and Airbnb can adapt in a much better way than any other travel thing.

And so that's part of the reason why Airbnb spent eight weeks in, "Oh, what's happening land?" And then quickly got back to a position of value and strength.

SAFIAN: One business that at least in some of the numbers has continued to perform in revenue terms is Facebook, right? Despite all of the discussions around Facebook, the numbers, the revenue numbers, still are good – or Meta now, as we should call them. Facebook finds itself though in the crosshairs of a different backlash than some of those other companies. What can an entrepreneur learn from Facebook's current quandaries?

HOFFMAN: Well, I think there's a couple things. One by the way is, these quandaries are always the quandaries of success and of scale. The real quandaries come once you're very big.

Broadly speaking, I think Zuckerberg is a learner. I think Facebook actually contributes a lot of good things to society. I think people forget how much families share pictures and what used to be very expensive for your average citizen, now you have free communication and all the rest of that stuff.

Now that being said, it's clear that there's some real challenges, whether it's misinformation, whether it's questions around what happens in democracy or whether or not it's what Frances Haugen has been talking about, "Well, is there an impact on teenage girls, that's something disproportionate, something that Facebook could do something about?"

I'd say in all of these things, the thing that Facebook at least is getting wrong, is its public communications, because what it's saying is, "Oh, we're just the platform and users do what they do. And we're believers in free speech."

And it's not acknowledging saying, "Look, there are real concerns here. And by the way, as serious as the concerns are in the U.S., they're much more serious when you get outside the U.S."

You go, "Well, okay, Facebook's being used to perpetrate potentially genocide amongst minorities." Rohingya, et cetera. I think that what Facebook needs to be doing at a minimum is communicating what it's doing, what its view is, does it reflect that it understands that it's a problem? What it's at least going to try to do to fix the problem, that it hears people.

They'll argue that they are trying to do that and the press isn't covering them. There's some truth to that criticism. But I think that beholds them to say, "This is our vision for a healthy society, and this is what we're doing." So example, it's great that they're doing the study of, "Well, how are

we impacting our users?" They didn't have to report it, but now that it's out because of Frances Haugen's whistle-blowing, it's like, "Okay, so you got that study. What are you doing about it? You're doing more research? What's that additional research? What are the things you're doing to help fix it?"

And saying, "Oh, no, we're not as bad as Cosmo or Vogue," isn't particularly compelling because you know that you're contributing to the problem. So what are you doing to help it?

The thing that entrepreneurs could learn when you get into your scale quandaries like this, is to be more open and disclosive about, "I hear you, what the problem is. Here's how I think of the world that we're trying to create. And here's the things we're doing, which we hope will have some effect on the problem that you're talking to us about." And I think that's the general thing that other entrepreneurs who build various scale products who might end up in a quandary like Facebook should think about doing differently as they approach their mega scale.

SAFIAN: You're so focused as an entrepreneur on success and on building that scale. And then once you have it... And maybe sometimes before you realize how much you have it, you can be having impacts that you didn't necessarily plan for or prepare for. Those are not easy to deal with, and they're harder because you are bigger. We had a guest on Rapid Response who I know you know and you work with, Sridhar Ramaswamy who was at Google and now is at Neeva, but he talks about how the business model of your scaled organization can sometimes work against your efforts to control the impacts that you're having. That it can distort or impact how you're dealing with those new challenges.

HOFFMAN: It's another version of the innovator's dilemma that you have to pay attention to. So for example in the Facebook case, the criticism, because it sounds very good – it makes Facebook sound demonic – is they're prioritizing profits over people. And it's like, "Wow, that seems like those are just bad people." Look, I talked to a lot of people. I know a lot of people there. I understand how they think of the world. They're not actually thinking about it that way.

However, the way they got to scale and the way that they became the dominant platform is what they did is they prioritized engagement over everything else. And engagement is measured by, well, how long does the person stay with the site? How many times do they come back? Are they active? Do they click on things? Do they post things? So they're prioritizing engagement over everything else. And by the way, there's an argument about, well, prioritizing engagement is democratic. It's giving people what they want to do. They demonstrate by their action of their fingers, by the action of their clicks.

Now, I myself am only partially sympathetic with that Facebook answer, because I think the answer is also like, "Well, can pretty easily cause people to spend a whole bunch of time engaged, but enraged."

But it's that success by which they say, "Well, we're giving people what they want. It's demonstrated by engagement." That is the actual thing that's going on, not the, "Oh look, we make more money." Now, they do make more money from it. If they lost money for more engagement, then engagement wouldn't be their focus.

SAFIAN: So Facebook took on the name Meta trying to assume the benefits of an association with the metaverse. When you hear talk about the metaverse, how realistic or far along should we think about it being? I know Nike asserted its rights to all of its shoes, how they might be used in a metaverse. Should businesses be looking to protect themselves, prepare themselves for a metaverse? Is the metaverse an arena where entrepreneurs and startups should be looking like, "Oh, this is somewhere I can launch new ideas?"

HOFFMAN: So first, we are already in a metaverse. Right now, Bob, you and I are in the Zoom metaverse. The internet and actually telephony before it have all been versions of metaverse that we're continuing to iterate. So most often the people say, "Oh, no, no, we're going to be in haptic suits and goggles and in a virtual reality that might be Mars or something else."

So they're going to be multiple metaverses in various ways and they're going to play different roles in our lives. So then you get to the strategy question. You say, "Well, how do I think the metaverse is going to be evolving?"

And then under which timeframes? "Oh, I need to be prepared for a Ready Player One-like experience where we're all going to be living in the metaverse. Well, not any time soon. That's not a soon thing. So if you really prepared for that now, you're going to really miss your investment opportunities.

So you need to be looking at: what are the things for me? There's something I should assert that's fairly cheap to assert a la Nike, say, "Well, we own our shoes in the metaverse."

Like, "Okay, great. That's not expensive to assert. It's a legal kind of thing." Probably good thoughtfulness because that doesn't really matter if, "Oh, nothing really plays out there for 10 years." Or 20 or whatever. On the other hand, if you think something is coming very soon, that's when you may really adjust your business around it. It is fundamental that you should be thinking about... as a scale business you should, every quarter to every year list every technology, artificial intelligence, synthetic biology, virtual reality, augmented reality, metaverse, quantum computing, crypto currency. And you say, "Is there a big shift coming in my industry or my business potentially off this?"

And you might go, "Well, look, I'm doing a restaurant chain." I look at crypto and go, "No, nothing in crypto. I'm not going to be paying with it." Fine. That takes you 15 seconds. Metaverse is one version of that. You should be thinking about it, but your thought might be five minutes, "Nothing near term, nothing long term. I'll think about it again in a bit."

SAFIAN: Earlier this season I spoke with CEO of EA, Andrew Wilson. Andrew says that there are two distinct groups of industries that will be clawing at the chance to scale in the metaverse. But how will it play out? Let's listen.

ANDREW WILSON: What the metaverse really is, is a 3D virtual representation of a social space. You should think about entertainment, should think about education, you should think about exploration, and ultimately, you should think about corporate enterprise.

And I think we're going to see two groups running towards this. You're going to see groups that have this kind of social interaction as their core conceit or their core motivation. Think Facebook, think Snapchat, think Twitter, who are going to look to try and build out 3D visualizations of that space. At the other end of the spectrum, you have games companies who already build out 3D virtualizations, who start to kind of work backwards. And what other things can you do in a game beyond just the core conceit of the game? I will tell you, we're at the very inception of this, the very inception. And so it's hard to understand how it's all going to play out.

[Ad Break]

SAFIAN: We're back with Masters of Scale: Need to Know. If you'd like to share this episode with a friend go to mastersofscale.com/N2K. And if you want to hear the complete interview as well as the complete interviews that we used to cultivate every classic episode of Masters of Scale go to mastersofscale.com/membership.

Before the break Reid and I spoke about inflation, supply chains, the potential of the metaverse and the lessons of Facebook. Now we move into the opportunities around AI and crypto. Plus Reid's great advice on The Great Resignation, why LinkedIn pulled back in China, and what the backlash against Big Tech is missing about scaling itself. Let's dive in.

So you mentioned a list of technologies there to keep track of. And one of them you mentioned was artificial intelligence.

HOFFMAN: Yep.

SAFIAN: I did a segment with Eric Schmidt, who's just come out with a book called the *Age of AI*. And the dialogue was almost schizophrenic. On the one hand, Eric talks about these amazing benefits of AI and how if business leaders don't follow along, they're going to be completely disadvantaged. And on the other hand, he also talks about these risks to humanity. How should I think about AI? As a business person, what's my responsibility for deploying it or considering it? Do I need to use AI? Can I afford not to use AI?

HOFFMAN: So the right way to think about AI in a very broad brush is it's an amplification of how software, e.g. the world of bits, is going to be affecting everything.

The world of bits and the world of atoms. AI is, at the minimum, a new programming routine that can create capability that we've never seen before.

A very simple way of putting this in terms of developer productivity is 20 years ago to write a spell checker was like thousands of lines of code, months of debugging and lots of corner cases. Now, it's about 100 to 200 lines of code where you basically say ingest the internet and learn to make a spell checker, right? Then it generates a spell checker that was probably better than the ones you did before.

Now, obviously spell checking is a well understood problem. And not one that's particularly revolutionary, but you get to revolutionary when you say, "Well, when there's things that by ingesting lots of data, you can suddenly do something or know something that people didn't before." So we're going to be making engineers and developers 2X or 3X more productive. We'll almost certainly have a revolution in robotics which will lead to manufacturing. Not just autonomous vehicles, but a bunch of things there. Already they're doing sensors and plane engines to make sure that they're maintained well.

You begin to funnel that through AI, and you learn other things about how to better build them, design them, repair them, maintain them, et cetera. The New Zealand sailing team won by using a boat designed by AI. So that's how broad all of this goes.

So more or less every business's question probably around AI is not a if, but a when, and a how. Now, the when may still be a fair way out because most of the really strong amazing results come from super expensive compute. It's beyond what most companies can do.

I think that mostly when you get to new technologies, everyone starts with fear. Hence, *Terminator* film, et cetera, et cetera. I'm a techno-optimist, not a techno-utopian. Just because you build the technology, it doesn't mean you get a utopic outcome. But optimism means you can build towards a utopic outcome and you can steer away from dystopic outcomes. You have to be thoughtful about it. You have to be putting work into it.

So I applaud Eric's book along with Henry Kissinger and Dan Huttenlocher. "Let's pay attention to how we steer this to where it's great and amazing for us, where it's the amplification of our humanity." It's part of the reason why Stanford started the Human Centered Artificial Intelligence Institute, but I think those questions are answerable. In AI like many other technologies, I'm a techno-optimist.

SAFIAN: I want to play this back to you, make sure I understand it. So on an individual and a business level, you want to learn about AI, engage in AI, leverage what you can from what others who may have more resources are doing to help your business and be mindful about when you can make the best use of it. On a societal level, we want to be keeping our eyes on

making sure that the AI doesn't disrupt things about our social contract and the way we operate as humans without it being intentional or at least being discussed.

HOFFMAN: Yeah, and involved. So a classic one is we know from sociological patterns that the communities of people of color are much more highly policed. So if you just feed all this data in, what you're essentially training the AI on is people of color need much more high policing. So it delivers results on parole and on credit scores and on everything else, which is only a result of enshrining bias, nothing that has to do with the society that we should be in, that we aspire to be in, that naturally we should be in by ethics and by right.

So you have to pay attention to that kind of thing. And that kind of paying attention is not just a societal question. You can't wait for society to be the whistleblower. As a business leader, if you're driving revenue and economics and profits from this, you need to be paying attention to these questions to make sure you're one of the good guys, not one of the bad guys.

JORDAN McLEOD: Reid, you mentioned the list of technologies, right? Bob, you went into AI, but could we splice in going to more of those?

SAFIAN: That's the voice of senior producer, Jordan McLeod, who chimes in with a follow-up question from time to time. This is usually cut out of episodes of Masters of Scale and Rapid Response, but Reid and I are making Jordan leave his voice this time.

McLEOD: I think a lot of entrepreneurs, especially marketplace and retail and restaurant entrepreneurs, are wondering if they should start accepting cryptocurrency. I know that VeriFone is going to start accepting cryptocurrency on all of their credit card machines, which includes Taco Bell and gas stations and all these places, right? Reid, do you think using crypto as a payment in retail is going to stick?

HOFFMAN: So, payments is something I have a fair amount of experience of, from my very early days of PayPal. Obviously, I've been doing a number of, kind of, different crypto investments, including Xapo and other ones. We had Wences Casares on Masters of Scale. And what I would say is, payments is generally one of the ones where you rarely want to be a leading adopter of, unless you have a specific thesis that's valuable. It helps you brand, you actually happen to know that you will get new customers, you'll have a higher conversion rate because of it.

On the accept crypto as payment, I think you need to have an active thesis, not a default, yes. Because it'll be a bunch of work. A bunch of the businesses that started accepting Bitcoin a year or two ago, saw almost no traction, they saw almost no one using it. Why? Well, because Bitcoin isn't really a stable coin, it isn't really a currency of payment. It's a currency of asset, it's a, I buy it because I think my \$1 is going to go to \$3, right?

Now, crypto, in all kinds of ways, I think, will continue to be a major force defining the future. I think it'll be, say for example, cross border flows are really broken. And now we can use crypto to do cross-border to a wide variety of countries and not have to establish credit card relationship with the banks in each market. That could be a good reason that you might experiment with it. You could say that the notion of how crypto is doing escrow or, "Hey, crypto really plays to the digital goods that I'm doing. And they don't even have to be NFTs." But it's an active thesis for something specific versus, boy, I'm reading a lot about crypto, I guess I should take it, right? Would not be a smart, active thesis.

SAFIAN: I love the way you frame this because so much of the media attention about crypto is about the side that you call, a currency of asset, right?

HOFFMAN: Yes.

SAFIAN: Versus a currency of payment. And as you talk about it, even in that currency of payment, what sort of transaction you are talking about, the kind of crypto and whether or not you should consider it, depends on those things.

HOFFMAN: Exactly. So, it could be a really good thing to do but, generally speaking, in payments, being a trailing adopter is perfectly fine.

SAFIAN: And for some of the retail outlets that we here talking about embracing crypto, that has more to do with marketing, maybe, than it has to do with practically affecting their business.

HOFFMAN: Very likely, very, very likely.

So Reid, we've talked about a lot of things already, we're gonna talk about a bunch more. I want to get to LinkedIn in China and some key scaling lessons around big tech and speed.

But first, I want to ask you a little about the workplace and the great resignation. I spoke on Rapid Response with Sarah Hirshland, the CEO of the U.S. Olympic and Paralympic Committee, and she talked about the new challenges in managing talent and workplace dynamics. Here's how Sarah talked about it.

SARAH HIRSHLAND: In an environment in which talent in the workplace is probably one of the more difficult things all of us as leaders are dealing with right now, the sort of return-to-work post-COVID, is it home, is it hybrid, is it hub, is it remote? How are we going to create an environment that works to attract and retain talent and a lifestyle that people want and like? Add that to the vaccine mandate and the COVID environment that we're all trying to build, add that to the employment nature of the country. And I'm spending more time on workplace than I have in my three years right now. And trying to ensure that we can attract talent, retain talent, but also create a work culture that's one

that everybody is proud of, that is a modern evolution as it can be, but also a highly functioning, highly productive organization.

SAFIAN: This idea of the great resignation. I'll confess that when I first heard it, I thought, oh, this is just another media person's like well-phrased amplification of an anecdotal situation. And that it was isolated and narrower than the media makes it sound. But as time has gone by, my initial reaction seems to be clearly wrong. There are numbers that say there's something significant and different, a foot in the workplace right now. What do you think are lessons or what is going on?

HOFFMAN: Well, I think anytime you have a world shifting crisis, that will cause kind of a big reshuffling in the workforce. When you get this kind of reset, it isn't just that, "Oh, I started working from home, and then I decided, I might as well go to where my family grew up or this beautiful place. And then I really like it there." But also you go, "Oh, I'm now rethinking and I'm resetting. And this other thing appeals to me."

Now, that being said, my second book, *The Alliance*, was addressing this fact that there is this huge elephant in the room when it comes between most companies and most employees, which is that the two sides are telling each other, "We're going to work together forever." I mean, they're just so obviously wrong in the vast majority of cases.

Companies don't know what else to do, so they just kind of say, "It's a family, it's your life's work." And that's what we're all doing. And you're like, "Well, look, some folks will do that. That's great." Identifying which ones, nurturing what we call in *The Alliance*, the foundational tour of duty is a very good thing.

But what if you don't? And one of the problems is, if you don't address the elephant in the room, it massively erodes trust. It's because your relationship can't handle the truth. "Hey look, I'm working here. That's great. I'm having a great time. I plan to work here for a while, but I'm probably going to end up working somewhere else at some point."

I think The Great Resignation shows more than ever the fact that the frameworks that we sketched in *The Alliance* or some other way of addressing this elephant is critical.

SAFIAN: Yeah. Well, this idea that you've talked about a tour of duty is just more realistic about the way work is done now. I guess I feel like the pandemic, the robustness of the economy and the job market together, a lot of people have just sort of realized like, "My job kind of sucks. I'm not going to do that anymore." And in some ways it's like that the demands, the compensation are sort of out of whack. Some people are saying, "Oh, look, they're being pampered. They're prima donnas, these gen Z's, or whatever." But in a capitalist system, if you can't get people to take on jobs, then the rewards must not fit the task. The task must not be set up the right way.

HOFFMAN: Part of what's good about the capitalist system is: how do you create the kinds of jobs, the kinds of work that people want to do?

SAFIAN: Yeah. And the kind of work that leads to somewhere that's not just busy work. COVID has also disrupted the workplace, right? This prospect of work from home versus in office is up in the air. It separates industries, how different industries are doing it. How different companies are doing it. Do you think a business has to decide if it's a work from home place or a work from office place? How do you decide if you have to take sides?

HOFFMAN: You don't want to seem like you're a heavy-handed autocrat who doesn't care about the health of their employees, whether it's the illness health or the psychological health. But you can get to a certain amount of dynamism. "Hey, we're going to start with a couple days back at the office and kind of rotating. We're going to see how that works."

I, myself, am a strong believer in saying, "Hey, you have to get vaccinated because the vaccine is not just a question of your own health, but it's also a question of how much you're risking the people you're around."

Now, that being said, I think that many more businesses and many employees are going to realize that they're going to want to be in the office than they currently do. Because what they're normalizing on, all these people who say, I like working at home, this works really well, is what they're normalizing on is an environment where everyone's working at home.

And that's not going to persist, for sure. A limited number of all distributed companies, that will persist, for those companies. But a lot of companies will go, actually, in fact, we get a lot more creative work when we're in the office together, done, we get some innovation, we make decisions faster. There's all these reasons that a lot of work will happen back in the office. Some people say, well, I really like working at home so much, I'm going to orient towards a no office company or one that's really investing heavily in hybrid. And others will go, no, no, actually, in fact, personally, the times that I've been back and working with people, in-person, has been a great joy.

And so, I'm a great believer that there's going to be a lot of return to the office, and once it's there, then there's going to be a lot more return to the office.

McLEOD: A follow-up about Great Resignation when you were talking about workplace. They're very related, in my mind, it's like, I'm going to go start working at the company that lets me work from home more often, rather than working at the one that's forcing me to come back to the office. I hear my intrapreneur friends, as it were, say that a lot, right? So, I'm wondering how much those two pieces are connected in the great puzzle of the workplace.

HOFFMAN: Look, some percentage of people, above zero, will have now discovered that they really like working at home. And that has all kinds of beneficial features, whether it's a creativity

mindset or an introvert, an easier connection with family, the location that they can then choose is so much better. I also think that employers will go, "Wow. Some of our really important talents are going to decide that. And some of that really important talent is really important to keeping the company. And so we're mostly coming back to the workplace, we're going to add functions of doing hybrid So I think all of this dynamism... And a stronger company, a stronger set of selections for talent and how the talent best expresses itself. And, hopefully overall, everyone's happiness.

SAFIAN: Yeah. There has been increasing flexibility in how work gets done before the pandemic, right? That was already coming and like many other things, the pandemic accelerated it, that doesn't mean everyone's going to jump into doing it, but the breadth of options available to us, or the breadth of options that people will expect is going to continue to expand.

HOFFMAN: Exactly.

SAFIAN: Former PepsiCo CEO Indra Nooyi was on an epic episode of Masters of Scale at the start of this season. How she builds a supportive workplace is truly instructive in its clarity. Let's listen.

INDRA NOOYI: I looked at each person in my company, not as a tool of the trade, but I looked at them as an individual asset that had to bring their head, heart, and hands to the company for the company to be successful. And if you were not treated for who you were, if I didn't bring out the best in you, the company lost out. How do we get all of the people who are talented in our economy to serve the economy? Because that's what we need. We need all the talent.

Lots of women graduate with top grades. They are 60% of the professional degrees, but they're not rising in their careers. The issue is not the women, the issue is that we don't have the support systems to enable them to have families and be in the workplace. And as a country, we don't have enough support systems, either from families, or from the government, or from our communities to enable them to balance the two. So families become a source of stress rather than a strength.

I think it's a loss for the country. I'm not talking as a feminist, I'm talking as an economist. And so, we have to fundamentally tell ourselves, if we want the entire talented population to be in the service of the country, we better look at them as a system and their holistic life. If you look at them as real assets, you'll worry about them, their families, how are they going to balance all of this? You'll come to very different solutions.

SAFIAN: So, the next topic I wanted to ask you about was LinkedIn, your creation and your legacy, in so many ways. And there was news, not long ago, that LinkedIn would be suspending its operation in China. And I wonder if there's any perspective you can give us on the pros and cons of doing business in China, the trade-offs that a business struggles with.

HOFFMAN: Yep. Oh, it's a great topic, very complicated, that too many people try to make simple, and it's a mistake. So, I've been a student of China for its amazing successes and its challenges for a number of years. I talk to a lot of Chinese experts, it's part of the reason why LinkedIn was the only, of the social networking services, that has a license to operate in China. And the critics say, well, it's an autocracy that is growing to have a negative influence on the world. And is directly in contention with the Western powers, U.S., Europe, others. And there are some issues around that, which are 100% legitimate, including human rights issues.

On the other hand, here is also a government that has raised more than the entire population of the United States out of poverty, in terms of their economic progress, in terms of the wellbeing for them.

Who are systematically trying to invest in various efforts to change the trajectory of climate change. They're investing in carbon removal, just as we should be, but they're doing it. And so, those things are on the positive side. Look, I'm not naive, I know that there's going to be areas of conflict but what of the ways we could make the world better? And part of my theory between LinkedIn and China was to say, look, the more that we are doing, kind of, good business with each other, that will make the world a better place.

And LinkedIn is a very natural place to be doing that. It's like, who do you hire? Who do you fund? Who do you do business with? Et cetera. And so, that's part of the reason why LinkedIn has invested so much in their relationship with China. Now, part of the problem is, the tensions escalate, everyone tries to use everything in the middle as a punching bag and as LinkedIn, we're just trying to figure out how to help the world do business with each other, including U.S. and China, we were getting more and more difficulties and challenges from both sides. And so, we made the very hard decision, that took a lot of consideration, to say, look, let's try to reduce the minimum set where we're not in the crossfire of this criticism.

So let's go to, hey, it's just job listings, just employment, just find a job, none of the sharing of business intelligence that LinkedIn has been investing in over the last 10 years, available in China because that's where we get the conflict from both sides. Let's just do the jobs side of it and so, that's why we retrenched to it. Obviously, I think the world is better if we can do more, but it's also important to... Because, for example, part of our duty to our members is to not endanger them at all by their participation in LinkedIn. And this was a way to, kind of, say, hey, everyone can participate in LinkedIn as they want and there's no criticism from either side in this activity.

SAFIAN: It does sound like it was a hard decision to make.

HOFFMAN: It was a hard decision to make. We put years of our sweat and our efforts and our innovation into China, we will continue to do so as it makes sense. But it's like, sometimes you have to take a step or two back in order to take the path forward.

SAFIAN: So the last question I wanted to ask you about, Reid, is about the plight, I guess, of big tech. The scaling that has gone on for large tech firms has been spectacular. We benefited from it... A lot of investors, a lot of workers, others have benefited from it. You and I are both big believers in technology, and yet there are things about the scale of technology companies today at trillion dollar valuations and the reach of all their businesses that is sometimes disquieting. Is there something as being too big?

HOFFMAN: Ha! A great question for Masters of Scale. I fundamentally think that big can be great and is not necessarily bad, at whatever levels of scale of bigness. Now, there are times where you go, "Well, you're so big that you disbalance society. You're so big that you corrupt the mechanisms of rule in law and government, or so big that you prevent innovation or delivery of quality goods or products and services." And so, for example, when I think about our current tech giants in the U.S. – and there are tech giants all elsewhere – I am actually broadly speaking, I think we're in a pretty healthy spot because those five huge tech companies are all competing really heavily with each other. If you said, "Well, what's likely three to 10 years from now?" The answer is it will likely be seven or eight or nine or 10 large companies competing with each other.

In that competition, they create a lot of productivity. They create products and services. They make products and services cheaper. The only particular area that makes me nervous is the mobile app stores. I think there's some legitimate questions around that, and are they quelling startup opportunities and other kinds of things? And then you go to the kind of things that people are saying, "Well, this is why we should be doing antitrust." So for example, we talked about Facebook. "We should be breaking Facebook apart for privacy." They're like, "Oh, your theory is that if we had 10 Facebooks, you'd have better privacy?" How do you cut to that theory? Literally, you're wrong.

You say, "Well, I want to be having companies build in systems for protecting misinformation." Right? Okay, well, you have to be investing in AI, you have to be investing like a billion dollars a year in that. So if we had 10 Facebooks, we'd have better thing on misinformation... Oh, no. You have one, then could spend the billion dollars on misinformation, you're better at preventing misinformation from occurring in various ways. So the antitrust thing isn't about any of the things that they're actually talking about.

It's like, "Well, we're uncomfortable that you've grown bigger and more powerful. We're uncomfortable that you have a company that's kind of in control of this thing that's really important to us." But by the way, we've always had companies that are in control of things that are really important to us. We've had media companies, we've had oil companies, we've had car companies. Right? This is not actually, in fact, a unique thing.

Look, from an American society, an American values point of view, it's really great that we have all these giant tech companies. By the way, the vast majority of whom, over half their revenue comes from outside the U.S. That's prosperity for the country, but then we want to influence it. We want to say, "Well, we want the internet to run this way. We want this to be the case."

Well, we can do that when we have this thriving set of tech industries. And so I've been a little disheartened, or bemused, by all of the techlash. I'll make this very last point, whatever you care about, scale tech is part of the solution. You care about climate change. Well, the only way we're going to get the earth to not warm as much and to cool some is through technology. Clean energy, carbon capture, geoengineering, working in the oceans, et cetera. Tech is only going to happen. You can have every Paris Accord you want, you can have 10x the Paris Accord you want, and it's only going to happen with technology.

So how's that technology going to be created? How is it going to be brought to scale? What's going to happen? Medical, you want to solve pandemics? We blitzscaled on the mRNA vaccine. We needed to get the safety trials blitzscaled, but it was technology. Otherwise, think of where we are today. Right? As pathetic as our global public health response has been to the pandemic, think of how much worse it would be without the mRNA technologies.

We want better education. Creating a whole bunch of new educational AI software, other kinds of things, could scale everywhere in the world, could bring literacy to every single child on the entire planet, is doable with technology. And look, startups are one central way. And that's a great way. Large companies do a lot of investments too. And so I think all of that is really, really important. And so I don't think that the kind of, "Oh, that's big." You're like, "Well, look, what are we creating with it? What are we making? And what can we make?"

SAFIAN: Yeah. I mean, I think some of the discomfort is that historically big meant slow, right? And today the biggest firms in some ways are the fastest. And they're taking us in places where, certainly for governments that are slow, it can feel disconcerting because control has gone to these entities that are rivaling governments. But as you say, when the challenges are planetary, right, global health, climate change, we need the facilities that can move at pace, globally. And right now, the way governments work, the only place that's happening is through technology platforms.

HOFFMAN: Exactly. And so the question is, we should be playing into that future with ambition, with heart, with soul, with speed. And by the way, to your point, Bob, it is really interesting how these companies continue to compound at scale in various ways, and don't slow down as much as they used to slow down. Startups are still moving faster. So as fast as you see these big companies moving, you're like, "Wow, they're releasing new

products and everything else." What's going on in startups is even faster. So this is part of the thing, boy, we're accelerating into this future, and trying to enshrine the past to prevent the future is a disastrous idea. Because probably the best that will happen is you say, "Well, we'll give up the future and someone else will do it, not us." And I don't think that should ever be our position.

I think our position should be: we create the future and we make it available broadly and to everyone, and dynamically as we do it. But accelerating to create that future is actually the goal. And that's part of the reason why we do podcasts like this, because we're trying to help everyone understand how to scale more effectively, ethically, humanly, but also fast and competently. And so all of those things can be done together. And that's the game we seek to play, that's the future we seek to create.

SAFIAN: Yes, and to pull along all of those organizations that may not be the fastest tech companies and may not be the fastest startups, but can be faster and help us solve all these problems and challenges more effectively.

HOFFMAN: Exactly.

SAFIAN: Well, Reid, as always, it is a pleasure to talk with you and to learn from you, and to share ideas. So thank you.

HOFFMAN: And Bob and likewise, and our next conversation can't happen soon enough.

SAFIAN: Amen to that. I'm Bob Safian.

HOFFMAN: And I'm Reid Hoffman. Thank you for listening.