Masters of Scale Episode Transcript: Marc Lore

"Leap before you look"

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REID HOFFMAN: Welcome to Masters of Scale bingo, the game in which you, our lucky contestants, listen out for classic entrepreneurial phrases and situations.

On our bingo card today we have:

"Why doesn't it exist?" "Why don't we just create it?" “Find a gap in the market.” “Minimum Viable Product.” "Sometimes you just jump and see what happens."

Today's guest is serial entrepreneur Marc Lore. And remember: If you hear any of the phrases or situations from our bingo card in his story, be sure to mark them off.

> **MARC LORE:** There was no way to go work for a startup in 1993 when I graduated college. It was like, okay, I love stocks and numbers and math.
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> And so I thought I should take a test to be a certified financial risk manager. So I'm with my boss. He said, "Okay, why don't we just create an exam?"
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> We told people that we had this idea to create an exam, and people laughed, like, “Hey, you're like a 24 year old kid. Who's going to take your exam?”

HOFFMAN: If you're playing along at home, let’s mark off this phrase as the middle star. "Why don't we just create it?"

Now, let’s take a step back and dive deeper into this story from Marc and find some more phrases to mark off the bingo card. Once Marc got over the irony of people telling him that creating a risk management exam was ... too risky, he took the plunge.

> **LORE:** Financial risk management was a new profession at the time. In banking, it didn't really exist. I had friends that were becoming CPAs or CFA, the Chartered Financial Analyst. So I'm with my boss, Lev Borodovsky, and we're talking. And I asked him, I said, "why doesn't it exist?”

HOFFMAN: There's another bingo phrase: "Why doesn't it exist?".

> **LORE:** And so just in typical entrepreneur fashion, we basically put an outline together of what topics would be on the exam. We picked a date. We said, “Okay, in May, in New York city, we're going to administer the exam. It's $500. Send a check, and you could sit for the exam.”

HOFFMAN: The checks started rolling in. That's right … before Marc and Lev had even built their product.

That's our next bingo phrase: "Find a gap in the market."

Marc had found a gap in the market – one that no one else was crazy enough to fill, but that customers were so thirsty for they would pay upfront for this unproven product that didn't even exist.

> **LORE:** So we're like, "Oh, we got to actually make this exam now." So we then got a bunch of professors together and people that are really knowledgeable, and we paid them to write the exam. And then we went and administered it, corrected it, passed half, failed half, sent certificates out saying you passed.

HOFFMAN: That's an MVP right there – "Minimum Viable Product."

This new risk assessment exam didn't just take off, it soared.

> **LORE:** And now it's given still today in 50 countries around the world. It's given to, I don't know, probably 10,000 people a year.
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> I always like to tell this story to people because when they say, how do you get started, or how would you do that? Sometimes you just jump and see what happens.

HOFFMAN: "Lets just jump and see what happens".

> **LARRY DAVID:** Bingo! Bingo! Bingo!

HOFFMAN: The most storied entrepreneurs make this jump not just once, but multiple times.

Each time they do, they get better at giving others the confidence to make the leap alongside them.

And that's important because the earlier other people buy into your idea, the greater your chance of success.

It's why I believe your willingness to jump is your most necessary asset as an entrepreneur. But this ability is only truly valuable if you can convince others to make that leap with you.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe your willingness to jump is your most necessary asset as an entrepreneur. But this ability is only truly valuable if you can convince others to make that leap with you.

At the top of the show, we played a little Masters of Scale bingo with some of the most frequent experiences and phrases we hear from guests on the show.

There is one phrase that didn't make it into our game, but which is a personal favorite of mine – as regular listeners will know: Starting a company is like jumping off a cliff and assembling a plane on the way down.

I also like to have fun with this metaphor. For example: Blitzscaling is like assembling that plane faster, then strapping on and igniting a set of jet engines, while still building the wings.

This metaphor and its variants encapsulate the gravity-defying launch off the precipice all founders must take.

But something the phrase omits is that to reach true scale, it's not just founders who need to take this leap of faith. You need to convince your crew, your engineers, and most importantly your customers to climb aboard your rapidly descending and untested aircraft.

I wanted to talk to Marc Lore about this because he has taken the entrepreneurial leap again and again, each time evolving the way he assesses the risk involved. And each time, he's refined his method for bringing others – including customers, investors, co-founders, and suppliers – along with him.

Marc co-founded Diapers.com, which sold for $545 million to Amazon, and Jet.com, which sold for $3.3 billion to Walmart.

Marc has had a lifetime of practice taking entrepreneurial leaps. As a kid, Marc was constantly generating new ways to make a little pocket money.

> **LORE:** I did every entrepreneurial thing a kid could do. And I used to work so hard washing cars, mowing lawns, newspaper runs, sorting baseball cards and selling them at trade shows, recycling. Anything that you could do as a kid, I did. And I used to work in the summer, wake up early in the morning, and work until sun down. Nobody said to do that or anything. It was just in the DNA.

HOFFMAN: In high school, he stepped up to the plate with a baseball card trading business.

> **LORE:** Basically got relationships with all the baseball card manufacturers and bought cards wholesale. And they used to come all unsorted. And so, if you can sort them into full sets, you can go to a trade show and sell the sets sorted. And so, looking back, it was probably about $5 an hour. But it was basically as much as you wanted to work,

you'd make five bucks an hour. And we literally would work 12 hour days and make 60 bucks a day. And after a couple weeks you'd go and come home with a few hundred dollars. And it was like, oh, this is fun.

HOFFMAN: Marc showed an impressive drive, but something was missing: He wasn't yet thinking deeply about how to bring others along with him when he made these leaps.

In fact, his deepest passion as a kid was for numbers – mainly because math gave him a way to escape from other people.

LORE: So my childhood, it was not the easiest. And I think I used numbers as a way to get into my own head, like a numbing thing. So I used to count and do math problems in my head as a little kid, just to go somewhere else.

HOFFMAN: From his love of math grew a love of finance. But it soon became clear to Marc that the obvious path of banking wasn't for him.

LORE: I really had this longing to want to be an entrepreneur. Especially, this is late '90s, when there was so much stuff happening in the startup land, and all these great companies being founded. And I thought the only way to do it is to go all in. And so, I basically decided I'm going to quit my job and be an entrepreneur. And I didn't have an idea, but I just knew I needed to go all in. And I thought I had to make it work because I have a family, and I just can't afford this not to work.

HOFFMAN: Now here's an important caveat about the romantic image of the all-in entrepreneur; the founder who heroically leaps off the cliff without a thought for their own safety. There's always more to it than that:

LORE: I did still always think, hey listen, if, a couple years I give this, go all in, I can always go back to banking. It's not like I would be out on the street. So I had that backstop.

HOFFMAN: Many people have the passion and the mindset to be incredibly successful founders. But their own personal situations mean they have to weigh the risks of making that leap. For some, it might mean delaying it. For others it may mean finding a less death-defying way to bring their idea to the world. In my first book, *The Startup of You*, I described this as your plan Z in ABZ planning.

There's no single right way to do it. And you should bear this in mind when contemplating your first leap. That banking fall-back helped Marc make his choice: to go all in.

LORE: So I went into my boss's office and just said, "Hey, I'm going to quit and be an entrepreneur." And he laughed at me. He said, "do you know how much you're making?" I said, "Did you know you just had a baby? I'm not crazy." He's like, "Okay, so what's the big idea?" I said, "That's why I'm quitting. I'm going to figure it out. I'm going to do it." And he thought that was the craziest thing. But he said, "Can I be a first investor and put 25 or 50 grand in?" And that was how I got started.

HOFFMAN: This is where Marc clearly showed what I like to call "entrepreneurial charisma." He had the mindset and the ability that made it almost irresistible for others to join him in his leaps. So much so that they would help him leap off that cliff, and then gladly throw a bundle of money after him.

It's this charisma that made Marc's willingness to jump a truly valuable asset.

Marc soon hit upon an idea with childhood friends Vinit Bharara and Lax Chandra. They created a trading platform called The Pit that let you trade stock linked to baseball players.

LORE: You had to use a baseball card as a proxy for the athlete. So we had one card per player, and the idea was market makers and bid offer spreads and charts and things. And it was super fun. But this was nine months before the big crash of 2000. And so it was very difficult to raise money after that. And so we were doing well as a business, but hard to raise money. We sold it to Topps, the baseball card, bazooka gum manufacturer. But it was a great experience, starting it, building it, and selling it all within 12 months.

HOFFMAN: Now Marc had the results to gild that entrepreneurial charisma.

LORE: The fact that we made money for investors, a very little bit, but just through that, gave us a lot of confidence, and the investors confidence to invest in our next business. That was the catalyst.

HOFFMAN: After the acquisition, Marc worked for Topps, but was on the lookout for his next entrepreneurial leap.

LORE: It definitely started before we formally quit. But we knew we were going to quit. And it was really the very early stages of it. I don't like the idea. I think it happens a lot that you get things started a little bit. But I do think you have to very quickly decide to go all in or not, because it's difficult to make something work when you're half in.

HOFFMAN: Yeah. You have to be the total focus. You eventually have to jump off the cliff.

LORE: Totally focused. Yep.

HOFFMAN: Marc brought this focus to his new idea from the very start.

LORE: Let's analyze the opportunities as opposed to just follow something we're interested in. I just had a baby. And I'm thinking, diapers are like a commodity product.

And I realized that nobody was selling diapers online. Even Amazon, at the time, were selling it, but at ridiculous prices that made no sense. And I just thought, that's kind of interesting. It's such a pain in the butt to buy and carry. And it's a thing you buy all the time.

HOFFMAN: So Marc once again asked himself that classic pre-leap question: "Why hasn't anyone else done this?" Another great bingo phrase to add to your score card.

LORE: People said, “yeah, it's a loss leader. Walmart and Target, they lose money on it. So you can't make it work, because shipping – forget it. You can't. It's already a loss leader.” We could have just stopped there.

HOFFMAN: Of course, Marc didn't just stop there. But listen to how he sets out the long view that no one else was seeing:

LORE: But I was really interested in this idea that, wait, if it's a loss leader, it makes sense. It drives moms into the store, dads, parents into the store. So if you can drive them onto the online store, you could actually sell them a lot more stuff, high margin than you can in a physical store. So actually, you could afford for the loss leader to lose even more than you can in the store. That was the real thesis.

HOFFMAN: Now all Marc needed to do was to get others to take the leap with him. First was Vinit Bharara, who joined as co-founder. Now they had to convince diaper suppliers.

LORE: Proctor and Gamble and Kimberly Clark, the two makers of Pampers and Huggies refused to sell us diapers direct because they kept saying, “You cannot make the math work. This is stupid.” Basically. And they didn't want to sell us just because they thought it was stupid. They just thought, you're not going to make it. So why would we waste our time setting you up as an account?

HOFFMAN: However, Marc had faith that he could eventually get the suppliers on board. So he made a move that raised the pressure even higher – like leaping off that cliff and tying a hand behind his back. They decided to go out and buy their stock from big box stores at retail prices and sell them to their customers at the same price they paid.

LORE: We said, "We're going to buy them from Costco and sell them at Costco prices. And we're going to lose a lot more money because we know in the future we'll be able to eventually afford to sell them at that price."

HOFFMAN: This is a canonical example of a classic theory from an early episode of Masters of Scale: "The price that bleeds your business can save your business." But this wasn't a desperate attempt to get ahead of competitors. It was a calculated long-view risk that the plane would be airworthy before impact with the ground.

LORE: It was a double thing. We weren't at scale yet, so we were losing money. And then even at scale we'd lose money, but we felt that the lifetime value math would work by selling the long-tail stuff. We had to simultaneously absorb the losses on the diapers because we weren't at scale, but also try and build out that long tail of product so that we had the margin to make up for even at scale when they were still losing money, if that makes sense.

HOFFMAN: Marc spent a few years flying under the radar, doing bigger and bigger diaper runs to big box stores, buying on credit, and fulfilling shipments from a friend's garage. Eventually, the thesis was proven: customers not only loved ordering their diapers online; they also loved the brand, and were happy to buy other things from Diapers.com that had a bigger markup.

LORE: The strategy was playing out. We had launched all the stuff in Baby. Then we launched Wag, which is everything in pet, and then Soap, online drugstore.

And we had every vertical and these specialized experiences.

HOFFMAN: These different verticals were brought together under parent company Quidsi. Customers and suppliers had taken the leap with Marc. It looked like they had managed to build the plane and get the engine running.

Exactly how you convince people to leap alongside you depends on many factors. Your track record; the strength of your network; your pitch, and your entrepreneurial charisma.

In short, it differs depending on who you are, who you're trying to get to leap with you, and the product you're trying to launch.

But the constant factor is your ability to get people to trust you, whether you're launching an e-commerce platform, a new flavor of ice cream, or … a trapeze.

CASSIDY KRUG: So nearly everybody I've ever seen come to trapeze for the first time is scared. And even the people who are on the ground and look up and think, "Oh, it's not that scary," they get up to the platform, and suddenly their knees are shaking. There's so much fear inherent in what it is.

HOFFMAN: That's trapeze artist Cassidy Krug. She's been training as a trapeze artist for nine years. And when she teaches the art to newcomers, she literally has to convince them to take a leap.

KRUG: The first thing that I tell them is that everyone's scared. Everyone is experiencing some level of that fear. It's not unique to them. They're not particularly scaredy cats. Everybody gets up here and thinks the same thing.

HOFFMAN: In many ways, the battle is half won for Cassidy: her students have already been inspired by seeing her flying through the air. But Cassidy also knows exactly how they feel – and what they need to make the final push.

> **KRUG:** The second thing that I say is going forward is so much better than going backwards. You've climbed the ladder, you've put the lines on, you're on the platform. And now all there is left for you to do is jump and experience the joy that comes with all of this.
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> Once they jump and once they do it ,they will have overcome that fear, and the feeling of that is kind of indescribable.

HOFFMAN: In the case of Marc and Quidsi, it looked like they were about to pull out of their perilous descent. But then someone else started to take them seriously. Someone Marc certainly didn't want to have following him.

> **LORE:** Yeah, we probably made a foolish mistake. We were told by the manufacturers that we were selling four times as many diapers as Amazon. And so we publicly said it. Which, that was not smart.
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> **HOFFMAN:** Bring it!
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> **LORE:** That was not smart. We felt really good about that, and we thought that would be potentially good for fundraising because we were going to do a round. And "Hey, we're selling four times as many diapers as Amazon." Amazon's a juggernaut. But I think after they heard that, not that long after they basically gave diapers away for free, basically.
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> **HOFFMAN:** One thing might be not poke the bear, right, as a-
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> **LORE:** Yes. I strongly recommend not poking the bear.
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> **HOFFMAN:** Right.
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> **LORE:** It feels good for about two seconds and then-
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> **HOFFMAN:** And then the bear starts coming for you.

HOFFMAN: The Amazonian bear had taken the leap off the cliff – not with Marc, but in pursuit of him.

In the vast majority of cases, poking the bear is a bad idea. Because all things being equal, one-on-one with a bear, you're going to get squashed.

However, there are times that having the bear coming for you can accelerate your growth: it might elevate your brand; or highlight that you do indeed have a much better product.

But you need to have a specific strategy to justify making that initial poke.

One clear case is when Sir Richard Branson took on the established giant British Airways with his upstart airline, Virgin Atlantic. He had a clear strategy.

> **RICHARD BRANSON:** I pretty well knew everything that I didn't like about the airline industry. I was 28 years old, I traveled a lot on other people's planes.
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> And of course what BA didn't realize was that actually people like to be entertained. They liked to have a wonderful experience. They liked to be in a company where the owner takes an interest in all the details, like a private restaurant.
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> They turned the guns onto us. I mean, there was a big fat book called Dirty Tricks. And thanks to the loyalty of our customers, we did survive it.

HOFFMAN: With his focus on exceptional service, Sir Richard had convinced his customers to make the leap with him, and it meant he could gleefully poke the BA bear. In fact, doing so made people love the Virgin brand even more.

However, when Sir Richard later took on Pepsi and cola, he hadn't done enough to bring customers along with him. As a result, poking the bear turned out to be disastrous.

> **BRANSON:** They sort of kneecapped us.
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> And the lesson to learn from that was we weren't different enough. When BA tried to do that to us with Virgin Atlantic, we had a quality edge on them. With a can of cola, it can't be radically better than Coke or Pepsi.

HOFFMAN: Even when you don't deliberately poke the bear, it will still come for you. When I spoke with Drew Houston of Dropbox for our episode entitled "How to take on Goliath – and Win," Drew shared with us what can happen when a giant tries to muscle you out.

> **DREW HOUSTON:** Well, the first thing is you have to think about what is the incumbent's playbook? And it's not complicated. The basic response for the incumbent is basically to copy your product, distribute it with their platform, and destroy the economics – so give it away for free. If you know that, then it's easier to respond.

HOFFMAN: In Drew's case, it was Google gunning for Dropbox's cloud storage business. Drew saw his key advantage was having a more nimble team that was focused on one core product. But there was more to it than relying on the agility of being a startup.

HOUSTON: If we're like, "We're just going to be faster, better," that rarely works. So what does it mean to have a different playbook? How is our strategy different from the incumbents? Or from a Microsoft or Google?

Well, conventional software is often sold top-down. So you talk to CIO, they compare a bunch of different products, they make a purchasing decision, they buy your thing, they deploy it to their employees.

Dropbox is bottom-up. The employees find out about Dropbox, they start using it organically. Eventually usage reaches a certain point where it reaches the top. But it's Dropbox already deployed, and then it's purchased, as opposed to purchase then deployed. That's a 180 degree difference from the conventional way of doing things.

HOFFMAN: When Marc Lore found Amazon hot on his heels, he didn't try to fend it off with his playbook. Instead, he saw how his playbook was complementary to Amazon's. Rather than try to fight Amazon off in mid-fall, he embraced them on the way down.

LORE: But what was interesting is our growth rates slowed, but we were still growing even in the face of that. And I think Amazon took note and said, "Wow, they have a real brand, it's not just price." And that's when they made a bid to acquire us.

HOFFMAN: This is why it’s important to bring people with you as you make that leap. Marc managed to convince his customers and eventually his suppliers, and finally, his biggest competitor. None of this would have been possible if he hadn't made the leap.

In 2011, Amazon acquired Quidsi, which included Diapers.com, for $545 million. Marc and his co-founder Vinit Bharara had survived the clifftop dive, caught a thermal, and made a spectacular exit.

Surely it was time to celebrate.

LORE: I always talk about the difference between selling and selling out. With Amazon, we weren't able to continue with the vision that we had. We had a vision. We were very excited about what we wanted to do in the next 10 to 20 years, and when we sold to Amazon, that came to a halt, and that was the most depressing part of it.

The vision was over because Amazon bought us and said, "Hey, just keep doing what you're doing over here while we do what we're doing over there."

And it was like, "Yeah, but we're competing, and you own us, and we're competing. Why don't we just bring everything together and let us run the baby and the pets, and we know consumables." And like, "Nah, just keep doing what you're doing over here." And it was very depressing, and we knew that that was the case going into it. Even the day we sold, it was a lot of money, basically. We had never had a hit like that, and it was a life-changing amount of cash. And Vinny and I, the other co-founder, didn't even want to celebrate. "Yeah, should we celebrate? You want to celebrate?" No. "Me, no."

We were actually depressed, which is what shows you how I always talk about missionary versus mercenary. It doesn't mean missionary, when you're driven by the mission, doesn't mean you don't want the money and like money, but when you have a straight choice like money or not money, you choose the mission. And I think that was a perfect example of where we had all this money, and we were depressed because the mission that we had, it was over.

HOFFMAN: Yeah. I completely agree with you on the mission, missionary, and mercenary. And part of the whole thing, of course, is not that missionaries aren't capitalists, aren't how you build amazing businesses. But it's: what is our place in the world? What are we building towards? It isn't a transaction, we're trying to build something that we're proud of. We go home, talk to our friends, talk to our families, and say, "That's a great thing that exists." Right.

LORE: Exactly. Yeah.

HOFFMAN: Marc had convinced Amazon of the viability of the Diapers.com approach. But although Amazon was prepared to make a significant outlay to buy Diapers.com, they weren't willing to fully embrace Marc's approach. Amazon then put limits on Marc's scope to be an intrapreneur within Amazon. He was, in effect, rescued mid-fall before having a chance to finish his airplane. It was a feeling that would convince him to bail out and start building a new flying machine.

[AD BREAK]

HOFFMAN: We're back, with Marc Lore, founder of Diapers.com and Jet.com.

If you're enjoying this episode and want to share it with friends, send them the link mastersofscale.com/lore. That's L-O-R-E. And to hear my complete interview with Marc Lore, become a Masters of Scale member at mastersofscale.com/membership.

Where we left off, Marc had just sold his company, Quidsi, which included Diapers.com, to Amazon for $545 million.

But he didn't feel elated. In fact, quite the opposite.

So it's not surprising that Marc was soon on the lookout for the next leap.

LORE: I saw an opportunity, big market. There's no number two player behind Amazon. There's tailwinds, and I saw an angle on how to create a business that could compete quite formidably against Amazon.

HOFFMAN: That angle came from Marc's experience in e-commerce.

> **LORE:** That little hook that we're different is that logistics are a huge expense for e-commerce players, and many times people buy orders that are really expensive to ship. You buy three things, and they come from three different warehouses – that's really expensive. Or you buy something, and you're on the East Coast, and it's only available on the West Coast, it has to ship across the country.
>
> My thought was, if you could make that transparent to customers and say, "Hey, you can save money if you shop smarter. I can take three bucks off because it's way cheaper to ship, and you'll get it faster."

HOFFMAN: Once again, he'd be asking customers to take a leap with him into a new and unfamiliar business model. So he came up with a way to get them on board.

> **LORE:** We had a competition. We built this technology that allowed people to refer other people and get credit and get ranked on how many people they referred. And the idea was the top 10 would get stock in Jet. And actually the winner, their stock wound up being worth a million dollars, which was pretty cool.

HOFFMAN: This won them hundreds of thousands of customer referrals. Within two years, they sold to Walmart for $3 billion. And this time, the acquisition didn't leave a sour taste.

> **LORE:** We felt great about the sale because Walmart said, "Hey, we've been at this for a long time. We need help. Do you want to bring Jet and Walmart together and really have the capital and the weight of Walmart behind you to do what you want to do?" and that sounded really exciting.

HOFFMAN: Walmart itself was feeling the pressure from e-commerce. The company also saw the value in Marc's track record and willingness to make daring leaps. Marc agreed to join the company as President and CEO of its e-commerce division.

This was 2016, and, for context, Walmart's e-commerce operations were a sickly shadow of its colossal brick-and-mortar operations, with online sales growth stalling. Walmart hoped buying Jet.com – and along with it, Marc's expertise – would be the daring leap it needed to take to save its e-commerce wing from the abyss.

But for Marc, this was like leaping from the sleek, cutting-edge aircraft he had built with his own hands to a poorly-stitched zeppelin that was billowing flames in an uncontrolled descent.

> **LORE:** We had to change the narrative, and we weren't going to get there with good business decisions. It seems counterintuitive. For example, we dramatically ramped up marketing spend to start getting the growth to accelerate fast. That marketing spend

wasn't smart. If you look at the cost to acquire a customer versus lifetime value, it was upside down. Why would you spend a dollar and make 75 cents, that doesn't make sense. But there was a bigger purpose, and we needed to get momentum on the top line to get press and things aware that things are changing at Walmart.

HOFFMAN: So Marc set about making that zeppelin soar.

LORE: We innovated. We started testing things that showed that Walmart was different, e-commerce was different. We're innovating and trying things, taking risk. We bought Bonobos, which was a high-end brand. People said, "Huh. Why? That doesn't fit with the Walmart brand. Why did you do that?"

And it just started building this buzz of “things are different, sales are moving, they're innovating, they're buying companies, Walmart's cool.” And it worked. We didn't know it was going to work, but I knew that it wasn't working the way it was, and we weren't going to hire the great people unless it works. It was an easy decision as far as I was concerned.

HOFFMAN: Within two years of Marc joining Walmart, e-commerce sales grew by nearly 50%. Within three years they nearly tripled. Among the initiatives Marc headed up were delivery, pickup and a new initiative incubator.

After four years, Marc stepped down from Walmart in January 2021 to focus on a number of new projects. First, he purchased the NBA team, the Minnesota Timberwolves; and second, he has an ambitious plan to build a fully sustainable new American city, Telosa. You can hear Marc talk about both of these initiatives with Bob Safian on Masters of Scale: Rapid Response.

Another project is Wonder, a food delivery business; and VCP, a new venture capital firm that Marc co-founded with Alex Rodriguez. Those three letters – VCP – stand for Vision, Capital, People, which Marc says are the three most important considerations before jumping off that cliff.

LORE: In order to move fast, I think the thing that goes probably a little bit underappreciated is the clarity of vision and strategy with everybody in the organization. So if you don't have that down on paper, and everybody on the executive team could recite exactly the vision and strategy; where are you going? How are you going to get there? Then you have no hope of hiring hundreds and thousands of people. Everyone would be going their different ways, and doing different things, it's very hard to scale when you don't have that communication nailed.

HOFFMAN: The clarity of vision may seem obvious, but don't make the mistake of assuming everyone is clear. Take pains to make it very obvious, and make sure everyone is on the same page as early as possible. This is what Marc does to convince others to follow him off the entrepreneurial clifftop time and time again.

LORE: I just think it's really important to spend a lot of time upfront on clarity of what exactly is the vision? 10 to 20 years, put it on paper, 25 words, what do you want to become? What is the strategy like three to five high level objectives for getting there? What are the success metrics, like goals around vision and strategy? Maybe have a few tactics under each strategy, again, all high level.

HOFFMAN: As for the People part of VCP, you need to be just as clear and deliberate about who will do what. If that's not clear when you leap off that cliff, you'll waste precious time. And that means getting creative about how you structure your organization.

LORE: A lot of times people build the org structure, it's just very common like, COO, CFO, But when you've got a really clear strategy, I find it's best to build the org around that strategy so that you may have a non-traditional kind of roles that report to the CEO because they’re so important. I've learned, if you want to hire the very best person and be number one at something, they're going to want to report to the CEO. And so, if it's that important, carve it out, even if it's non-traditional.

HOFFMAN: I fully agree with Marc that founders don't start from first principles as much as they should when they're thinking about how to structure their organization. You need to start by asking: what's the persistent nature of the problems that you need to be solving in order to succeed? Then use those answers to inform your structure.

One example of a non-traditional key role that Marc gives is the Chief People Officer.

LORE: A lot of people, entrepreneurs, and even myself early, would hire somebody to kind of just do the HR stuff, not actually drive the bringing in a team of recruiters, thinking about compensation system, thinking about how to promote people. The whole system, getting that right early, bringing in the top recruiters so that you can hire talent fast, and keep everything well coordinated as you do it, that's probably the most important role to get right early, is to hire a big time Chief People Officer, if you want to blitz scale.

HOFFMAN: I totally agree. And part of it, actually, one of the things on this specific people officer thing that I've seen done and have done myself is sometimes not hiring a traditional HR professional, but actually general manager into the role. Because if you actually look at like recruiting talent and organization building, not just as kind of eventually you have to get to the talent systems that the great people officers will do. But actually as a talent acquisition system and thinking about it completely, the way that a general manager would in terms of capital allocation and innovation and trying five different new things is the way of making it happen, et cetera, I think can also be a useful technique there.

LORE: Yep, absolutely. Yeah. I absolutely agree with that.

HOFFMAN: When it comes to building your wider team, you don't need to convince everyone to make that jump with you – just the people who will be 100% all in and have the skills and grit to stick with you as you freefall.

> **LORE:** Find a team of people that just gel, that are smart, get together, and they have the traits, they're passionate, they're optimistic, kind, and bring them together, that they'll figure out, or hire.
>
> I mean, because that would be very hypocritical of me. I will start a business. I knew nothing about e-commerce when I started or nothing about food or nothing about any, but then you hire people that do. And so it would be kind of hypocritical of me to say, "No, you must have this experience if you're going to be in this company to do this." Because the great people will find the people they need to hire.

HOFFMAN: The most important thing to remember when you're standing on that lonely precipice preparing to leap into the unknown is that you're taking that leap, but you're not taking it alone.

I'm Reid Hoffman. Thank you for listening.