Masters of Scale Episode Transcript: Stacey Abrams

“How to harness risk, w/Stacey Abrams, political leader, activist, entrepreneur”

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> **STACEY ABRAMS:** We went to Kotzebue, Alaska. And we're fly fishing. We're doing sheefishing in a catch-and-release area in Kotzebue. It was cold, it was beautiful. I'm in the water. I'm casting fast and reeling it in even faster.

HOFFMAN: That’s Stacey Abrams. You probably know her as a leading voice in American politics. But the story she’s telling is a window into her parallel life as an entrepreneur. In 2006, Stacey and her friend Lara Hodgson co-founded a small venture called Insomnia Consulting.

Now, they found themselves north of the arctic circle, trying to win a new client. That would be the Alaska Native Corporation, or NANA, representing local indigenous communities.

> **ABRAMS:** Our guides are members of the Iñupiat tribe that own the NANA Corporation, and so, we're out there. One of the gentlemen came up to me, and he was going to gently correct my casting.
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> I said, "No, no, I know what I'm doing." My dad is an avid fisherman, so I know how to fish.

HOFFMAN: But her guide pointed out the obvious flaw in her argument.

> **ABRAMS:** He said, "Well, you're not catching any fish." I'm like, "I don't want to catch the fish. It's cold in this water, and I just want to give it a requisite amount of time, and then get out."
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> But out of graciousness, because I am Southern, I caught three sheefish, I demonstrated my prowess with the rod and the reel, I released the fish, and I got out of the water.
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> I'm back on the boat, I'm reading the book I want to read. And Lara's still in the water.
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> She is catching and releasing, and her sheefish count is rising by the moment. They lean over, and they said, “She's really good. Is she going to stay out there all day?"
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> And I'm like, "Lara's going to stay out there until you tell her to stop.”

HOFFMAN: Despite the frigid temperatures, Stacey’s co-founder was determined to be Queen of the Sheefish.

ABRAMS: I think that was one of those moments where, in the cold of Alaska, I saw encapsulated who we are. I want to get the mission done, and Lara is relentless.

We refer to ourselves as “Yes” and “But.” She is "yes," and I then go, "but…"

HOFFMAN: This fishing tale could be a modern fable of entrepreneurship. On the one hand, Lara: relentless pursuit of a goal — and a willingness to stay in the icy river, no matter what. On the other hand? Stacey, who said “Get the job done fast, then get the heck back on the boat!”

When we tell the stories of successful founders, we often elevate that first way. We say, “be competitive, tenacious, the last one in the water.”

But look closer. Stacey’s approach is not just viable, but ruthlessly efficient. She knew her goal was to win the client, not catch the most fish. So she marshaled her resources where they mattered most.

Both approaches are valid, and both Stacey and Lara would go on to become scale leaders. As “Yes” and “But,” each would have a different challenge in front of them.

That’s why I believe there’s a place in entrepreneurship for both “Yes” and “But” if they work in harmony.

[THEME MUSIC]

HOFFMAN: I’m Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe there’s a place in entrepreneurship for both “Yes” and “But” if they work in harmony.

When I interview guests for this show, I always end with a series of questions we call “The Lightning Round.” They’re something between a personality quiz and a party game.

HOFFMAN: What's something that's in your pocket besides your phone?

CHARLES BEST: A soil thermometer.

ANNE WOJCICKI: In my pocket… My car key.

SIR RICHARD BRANSON: I live on an island so I don't have any pockets. I just have a swimming costume on all day long.

HOFFMAN: One of the delights of asking these questions is hearing how different the answers can be, and how different founders can be, too. Take some of the different ways our guests have answered one very simple question.

HOFFMAN: Open office or closed office?

ABRAMS: Closed.

RANA EL KALIOUBY: Open office.

will.i.am: What am I working on?

ARIANNA HUFFINGTON: A little bit of both.

SARAH FRIAR: I actually don't like an office.

MELLODY HOBSON: Open always. We're open door people.

CLARA SHIH: We have an open office, but I'm starting to rethink.

SATYA NADELLA: I am craving to be back in an open office.

HOFFMAN: Whether or not you want your office door to close doesn't actually say that much about the kind of entrepreneur you'll be. But we can't help assigning meaning to it anyway.

We do the same thing when we talk about an entrepreneur's appetite for risk.

Some people naturally gravitate toward entrepreneurship because they can't imagine doing anything else. They know early on that they want to be their own boss and scale their own ideas. Not only are they comfortable taking risks, they see it as a perk.

But there are many entrepreneurs who don't fit this description. They may never have envisioned themselves founding a company. But at some point, they saw a need. And starting their own business was a pragmatic means of answering it. To them, the risks may seem more like a necessary evil.

This alternate perspective doesn't hurt this second type of founder. In fact, it can be an asset if they can harness their risk aversion, instead of being ruled by it.

I wanted to talk to Stacey Abrams about this because as an entrepreneur and scale leader both in and outside of politics, harnessing risk has been one key to her success.

As a social entrepreneur, Stacey founded and scaled not one but two voting rights organizations, the New Georgia Project and Fair Fight Action. She also founded the census mobilization effort Fair Count, and the Southern Economic Advancement Project.

In the political arena, Stacey Abrams is a master of taking calculated risks, embracing scale challenges, and going for Yes when every pundit is predicting No.

As the 2018 Democratic nominee for governor of Georgia, she won more votes in her state than any other Democrat in history. Which is why this year, she's gunning for a rematch.

But Stacey's had an entire parallel career outside of the political arena. And no, I'm not talking about her stint moonlighting as the romance novelist, "Selena Montgomery." (If you haven't heard THAT story, please look it up!) She also co-founded three businesses with Lara Hodgson, the master sheefisher that we heard about earlier in the show. And they've just written a new book about their experiences, called *Level Up*.

> **ABRAMS:** Often, the books that you read about entrepreneurship or small business ownership tell you the great stories. It's usually the rags to riches story, or the innovation story. Sometimes it's a passing account of the failures on their way to glory. We really wanted to linger in the failure.

HOFFMAN: We'll get to that tantalizing cliffhanger of failure, in just a few minutes.

Stacey herself can tell you that the entrepreneurial path was not one she had planned for.

> **ABRAMS:** I describe myself as a reluctant entrepreneur. Heretofore, I was very, very, very fond of paychecks. I liked the fact that someone else was responsible for making certain that I had my mortgage met. But in 2006, I decided to run for office.

HOFFMAN: Stacey had been deputy city attorney for the city of Atlanta. Now she'd be running for state legislature, a full-time commitment that's technically a part-time position. If she won, her salary would be less than $18,000 a year.

> **ABRAMS:** I knew I needed to focus on running for office, but I also needed to pay my mortgage. And so, I was encouraged to start a consulting firm to work on one of the last big projects I was doing in the city. That was the Atlanta BeltLine, this 20-plus-mile green space transportation hub, and I'd been the lawyer who architected a lot of the infrastructure.

HOFFMAN: The nonprofit organization overseeing the BeltLine wanted Stacey to keep consulting on that infrastructure.

> **ABRAMS:** So they said, "Well, if you'll do that. We'll pay you." I'm like, "Oh, really?" They said, "Yeah, do you have a company?" I made sure I had one, and that became my first client.

HOFFMAN: Stacey called her brand-new consulting firm Sage Works. She was officially an entrepreneur.

> **ABRAMS:** Over time, I added a couple of additional clients. I helped bring the Atlanta Dream to Georgia.

COMPUTER VOICE: The Atlanta Dream: A women’s professional basketball team, part of the WNBA.

> **ABRAMS:** … and got to get into a fight with David Stern, which gave me some street cred with my brothers.

HOFFMAN: As a lawyer, Stacey was positioned to apply her unique skill set to entrepreneurship even if she hadn’t intended to land there.

> **ABRAMS:** I think the most important lesson I learned in my first forays: one was the importance of recordkeeping, which sounds pedestrian. And as a tax attorney, it's ingrained in me that that's what you do. But when you're a small business owner, your first responsibility as an entrepreneur is to know what you owe, know who owes you, and know what you've done.

HOFFMAN: That attention to detail and accountability would serve Stacey well not just at Sage Works, but in government. Remember that race for state legislature? She won. That was 2006 — the year Stacey would also meet her business partner, Lara Hodgson.

It was at a program called Leadership Atlanta. Right away they saw they had different approaches, different personalities, and one more difference that might surprise you.

> **HOFFMAN:** One of the things that's kind of delightful about your story is Lara's a Republican.

> **ABRAMS:** Politically, we are different. She was appointed by then-Republican Governor Sonny Perdue to serve on a board. She and I had different politics, but similar values. And that's a distinction that people often dismiss as impossible.
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> What she and I found is that on many of the issues that mattered most to us, our values and our approach were aligned.

HOFFMAN: What Stacey and Lara found themselves most aligned on was the desire to bring unique infrastructure projects to life. So they formed Insomnia Consulting — a nod to their working hours.

As co-founders, one of their greatest strengths was their most obvious differences.

> **ABRAMS:** Lara came from the real estate development world, I came from the city of Atlanta, which meant I'd gotten a very hard and fast course in public works, and understood, in granular detail, how governments made decisions about infrastructure. She understood the private sector's conversation.

> We, together, could bring people from various points of political view together. While they would never have taken my call, or may not have gone to her meeting, when we came together, we were able to land them as clients.

HOFFMAN: This is a classic benefit to co-founders bringing different skill sets and networks to the table as well as complementary approaches. Or as Stacey told us earlier:

> **ABRAMS:** We refer to ourselves as “Yes” and “But.” She is "yes," and I then go, "but…"

HOFFMAN: This shorthand isn’t meant to over-simplify their personalities; as a politician, Stacey is one of the most “yes” oriented people I’ve ever known.

As business partners, however, it worked well for one of them to always be looking ahead to new opportunities, and one to always have an eye on the essential risks.

And actually, let’s take a moment with this idea of essential risks. It’s something I spoke with my producers about, and it’s the key to understanding why stretching all of your risk-taking muscles is important.

> **HOFFMAN:** There's this nuance about how you take risk as an entrepreneur, that's really important. Some like to say, “Okay, I'll take a little risk. And then I try to take as little risk as possible.” That's generally a mistake. What you wanna do is you wanna say, “Well, okay, which risks are intrinsic to this entrepreneurial path? And then I will take those risks and manage them really ferociously, but I'll take that entire risk.”
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> Like, “is there a product market fit for this product, or does this MVP get me enough that I can really test whether or not this is gonna work or not, or can I outpace this competition, or can I get the right talent in order to do this?”
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> And then you try to align behind those risks, and then take those risks. But no others. And then there's the other thing, which is you don't wanna take every risk. You wanna take just the essential risks that get you to creating something new, something important, something valuable.

HOFFMAN: The good news is you can learn how to better separate the essential risks from the extraneous ones. And that’s where having both “Yes” and “But” on your team comes into play. If you’re a company of gung-ho risk takers, every opportunity is going to look dazzling, and you may end up chasing bad bets. If your team is ultra-cautious and risk-averse, every new idea will seem like a disaster waiting to strike.

It’s like the old adage, “If you’re holding a hammer, everything looks like a nail.” You need your partners to be holding different tools than you are.

The fact that Stacey was in government and Lara was in the private sector meant they had different tools and different nuanced outlooks. Lara brought the “let’s go now!” of the corporate world, and Stacey brought a regulator’s eye to assessing risk.

But when it came to their next big venture, their essential-risk management tools in particular would be put to the test.

> **ABRAMS:** Insomnia was our infrastructure company, and it was going well. Then there was a slight collapse in the economy, which took out infrastructure and real estate first.
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> But for us, it also happened to coincide with a conversation we'd had when I was running for office. Lara had her son Connor, and she was trying to make a bottle for him while we're sitting at lunch.

HOFFMAN: Lara had formula powder at the ready, but she needed water to mix it. Which was more complicated than it might seem at first. There’s the shape of most screw-top baby bottles, with a small neck that invites spills. Then, there’s the quality of the water itself wherein the real risk lies.

> **ABRAMS:** She had to send the waiter to go and guarantee that she had clean water, and there was a lot of trust in that moment for her. She said, "I wish Dasani made a baby water." And we all went back to the conversation about the campaign.
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> But later on, we started talking, and I said, "Well, what do you think?" And she said, "Well, I've been really thinking about this, and I want to try it."

HOFFMAN: This was the “Yes” moment so many entrepreneurs will recognize. And both Stacey and Lara claimed it. They founded Nourish, a brand-new baby water company that would sell purified water sold in wide-necked bottles for mixing formula on the go.

> **ABRAMS:** Neither of us had ever been involved in manufacturing. She was married to someone from Coca Cola. I have consumed Coca-Cola products, I have consumed water, and I was a baby, but that was my exposure to the necessities of baby bottles. It was a new construct. We had never seen anything like what we were putting together. So she and I gave ourselves the task of figuring out what this can look like.
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> **HOFFMAN:** Did that feel like jumping off a cliff?
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> **ABRAMS:** It was less *Sundance*, and more *Romancing the Stone*, when you're kind of sliding down the cliff, as opposed to just jumping to the abyss. But it was certainly a departure.

HOFFMAN: This is a delightful new twist on our usual cliff-jumping metaphor, especially if you happen to be afraid of heights. But whether you’re going down in a self-built airplane, or by running down the rock face, there’s a reason we talk about entrepreneurship in this high-altitude way.

To me, jumping off a cliff is the best way to capture the “Oh God!” moment you feel when you launch a new company into motion. No matter how intelligently you’ve assessed your risks, there’s always a moment of vertigo when you look down and see how far you could fall. To ignore that feeling is to ignore the reality of starting a business.

But to succumb to that feeling is to undercut your best asset in those first moments; you’re gathering velocity.

> **ABRAMS:** What benefited us and me, I'll speak for myself for a moment, is the intellectual curiosity. I didn't know how it worked, and I wanted to know. And Lara and I have that shared curiosity, that desire to understand how things come together.
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> She's actually an engineer, by training. I'm just nosy. So it was, "How do you do this?" And we investigated. We went to visit plants, and we read books. And so, yes, there's a knot in the pit of your stomach. But there was also the opportunity to learn about a whole new industry that could transform how people live their lives.

HOFFMAN: This is a brilliant shift in mindset that I want to underscore here, especially for any listeners who, like Stacey, identify as “reluctant entrepreneurs.”

Stacey and Lara took their fears and channeled them into curiosity. About to become a manufacturer, and you know nothing about manufacturing? Ask questions! Learn the process! It’s a shift from “I don’t know how any of this works!” to “I wonder how this works?” Rather than running away from the unknown, curiosity encourages you to run toward it.

One place Stacey and Lara turned to for answers was their respective networks.

> **ABRAMS:** Lara and I inventoried ourselves. We thought through who do we know who can help us with things, and who will do it for free, or for de minimis amounts, or for the promise of something in the future? Lara had a group of people that she knew who could help us think through the manufacturing and the sourcing. I had friends who could do the art and the design. And so we each would pull from our pool of allies, and we were able to build a prototype.

HOFFMAN: Among those allies was Spanx founder, and previous Masters of Scale guest, Sara Blakely.

> **ABRAMS:** Sara and Lara have known each other for a long time. Part of what was helpful in building the company was that you had someone who was certainly further ahead in the process than we were but remembered enough of it that she could give us really good advice.

HOFFMAN: You too can get good advice in Sara's own episode, "How to find your big idea." It's in our show feed.

One way that Sara counseled the brand-new Nourish team was in choosing which retailers to approach first. Which meant, getting into the mind of the consumer. When will they most need your product, and where will they be most likely to encounter it in the store?

> **ABRAMS:** This had to be a convenience product but we had to explain where the inconvenience was.
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> We are not what you need when you're sitting at home with your can of Enfamil and easy access. We are what you need when you're lost in the airport, and your flight's been canceled, and your baby does not care. When that pain point was so high, that our price point was not too much.
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> And that made it a lot easier to pitch to boutiques. We were able to go into airports, we were in hospitals, we were in places of high inconvenience where the necessity of our product suddenly becomes evident.

HOFFMAN: Notice how Stacey and Lara zoomed in on their product-market fit. They understood where their customers might feel most vulnerable to the unexpected — places of high risk and high time pressure, like airports.

This boutique strategy also helped Nourish mitigate risks to their own supply chain. When you start by partnering with small sellers — instead of a major grocery chain — you learn quickly whether the product is a fit, without a massive capital expense. Because one of the biggest risk factors you'll be mitigating is cost.

As it turns out, even in the Coca-Cola capital of the world, making bottles of baby water isn't cheap.

> **ABRAMS:** Our product required hand assembly because it was a nipple or a sippy cup top. And our bottle was designed to be held by little kids, so it was a different shape. To build the equipment to do it automatically, we had to buy more equipment. And it cost money to build molds. It costs money to specialize. We did not have money.

HOFFMAN: Early in Nourish's life cycle, Stacey and Lara needed to fundraise. So once again, they inventoried their social and professional networks. Who did they know who would want to invest? That's when they noticed a growing distance between Yes and But.

> **ABRAMS:** One of the challenges that we had is that Lara had access to people who could invest in the company. I didn't know that I did.

Lara went to Georgia Tech, she went to Harvard Business School. And there was a comfort in having conversations about money. I had not come from that space. And I had not been in a position to ever ask someone to invest in something that was outside of my brain power.

HOFFMAN: This is a necessary leap all entrepreneurs must make. But as Stacey points out, it's not equally vertigo-inducing for everyone.

ABRAMS: As someone who'd been in politics, who'd raised a fair sum of money for my first race, I was very comfortable with political fundraising. What I did not know was how to raise money for a business. The people who gave me money for politics did not believe that I understood what I was doing in business. And that's a very different way of having to see yourself.

The shift to having to ask for investors versus being able to do it yourself, that is probably the most terrifying part of it. It's not the product and the learning, it's: is anyone else willing to invest in what I think I see?

HOFFMAN: Yep. Let's dig into that a little bit because I completely agree.

ABRAMS: I think for a lot of entrepreneurs who come from disadvantaged communities, there is a humility that we think is what's driving us, and it's less humility and more fear. We are afraid we can't do it. And you can't ask an investor to put their money into something when you don't trust yourself enough to believe that it's worth it.

HOFFMAN: This is absolutely true. And it's a problem that needs to be worked on from both sides. Yes, entrepreneurs of all backgrounds must learn to fundraise with confidence and ease. But, it is incumbent on investors to break free from their own limited networks.

We know that a disproportionate amount of start-up investment goes to male founders and white founders. And, we know that everyone approaches the cliff's edge of fundraising with different baggage, thanks to societal biases, systemic racism, and lack of access to inherited wealth.

So those on the investor side need to apply a broader mindset to assessing risks. Yes, as investors we're always trying to get the best ROI. But, we also need to recalibrate our heuristics around what Good Founders look and act like. We have to take a leap ourselves and rewrite our entrepreneurial fables.

ABRAMS: We're also told there's one way to pitch. There's one way to get money. And if that's not native to who you are or it doesn't match what you need, we are often pushed out of the conversation. And so, one thing that I learned to do was to be novel in how I thought of my ask. I wasn't going to be able to do it the way Lara did, but what did I know how to do? And how could I frame it as a way to ask for investment? You have to shape it in your image.

HOFFMAN: Earlier, Stacey talked about redirecting fear into curiosity about the unknown. Here she did something similar. She started looking at how to pitch creatively, and reshape the work to her own style.

> **ABRAMS:** I really leaned heavily on honesty, which was: “This could not work and you could lose this money, but you will never doubt that I worked really hard to try to make you money.”

HOFFMAN: Stacey and Lara were working together and learning from each other, their differing styles making their company stronger. But they would soon learn that even when “Yes” and “But” work together, sometimes the answer is “No.”

[AD BREAK]

HOFFMAN: We’re back with Stacey Abrams. If you’re enjoying this episode and want to share it with friends, send them to mastersofscale.com/staceyabrams. That’s Stacey-with-an-E-Y. And if you want to hear this complete conversation, become a member at MastersofScale.com/membership. There, Stacey and I talk about the fascinating scale story of the New Georgia Project, and we bond over the delights of being a Trekkie. You won’t want to miss it.

When we left off, Stacey and her co-founder Lara Hodgson were working to scale Nourish, their baby-water company. They had managed to leverage their complementary skill sets to get their bottles into boutique and specialty stores.

Then came an opportunity to scale up Nourish’s ambitions.

> **ABRAMS:** The holy grail, if you are a consumer product, is to be in a major grocery store. And so Whole Foods invited us to do a test.
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> **LARA HODGSON:** Oh my gosh. I remember the day the actual order came in. I checked my email and, "Oh my gosh, the order's here. It's real."

HOFFMAN: That’s Lara. We thought it was time to get her take on the story. And if you didn’t already know which co-founder was “Yes,” and which was “But,” it wouldn’t take long to figure it out.

> **HODGSON:** I'm ashamed to say I was by myself, and I was jumping around. Nobody's in the room, and I'm standing on the chair, and I'm jumping up and down, and, "Oh my gosh, I've got to call Stacey.”
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> I called her, and she was like, "Okay, time out. Now let's step back. What are we going to do first?"

HOFFMAN: This dynamic was typical of how Stacey and Lara interacted, especially at inflection points for their company.

> **HODGSON:** The first couple of times when Stacey and I were working together and something would happen, I would be on cloud nine, jumping around all excited, ready to go. And she would say, "Well, wait a minute, but how are we going to do this?" My initial reaction was deflation. Like, “Do you not see how excited we are? You're not jumping with me. You're supposed to be jumping with me."
>
> But then you quickly realize, "Oh, thank God she's doing that." Because otherwise I'll be jumping around the room celebrating when we need to be getting stuff done.

HOFFMAN: With the Whole Foods product test, both founders saw the enticing possibility of radical scale. For Lara, that meant doubling down on the opportunity ahead. For Stacey, it meant working even harder to plan. It was a healthy push and pull that made sure they could scale up capacity, without jeopardizing the product, or the relationship with existing suppliers and customers.

> **HODGSON:** After Stacey brought me back down to earth, we called our filler and said, "Great news, we got this order." Of course, he knew we'd been working on it ,and it was coming.
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> But when we finally had it, I just remember him saying, "We don't have the equipment to run it that fast, so I'll have to put more people on the line." And it was one of those things where it was a “but” that could have been like, "Oh my gosh, then we can't do this." But I feel like Stacey and I had done a really good job with our partners of establishing this culture and mindset around: problems will come up, they're never deal breakers if you don't let them be.

HOFFMAN: In a more traditional Masters of Scale story format, this would be the point at which the entrepreneurs jump off the cliff, assemble their flying machine on the way down, and pull out of a nosedive just in time.

But that’s not what happened to Nourish.

> **ABRAMS:** The challenge we ran into was that they needed a lot of product, and we did not have the capacity to deliver.

HOFFMAN: Earlier in the show, Stacey told us that Nourish’s bottles required hand assembly, because bottle design was what made their product unique. And the only way to meet the Whole Foods order would be to automate that process — at great cost.

ABRAMS: It costs money to build molds. It costs money to specialize. On top of that, we had suppliers who had been incredibly kind to us, very generous, but they were also waiting to get paid by their vendors. When so many people are in that posture, the pressure starts to squeeze.

I mean, Whole Foods is a great company. But they do what every major company does, and they pay when they're ready. You are not their top priority. You are the minnow, you are not the whale. And so, as the minnow, all you can do is call the line and call accounts receivable and say, "Please pay me."

HOFFMAN: What Stacey's talking about is the common payment arrangement known as Net 30.

ABRAMS: The buyer expects you to deliver the product within a certain amount of time, and then they intend to pay you 30 days after receipt.

HOFFMAN: Nourish had plenty of demand. But the more baby water they sold, the more their costs kept rising because their largest invoice remained unpaid.

ABRAMS: The question was, could we sell enough to scale and to meet demand? And could we make enough money to bridge us until we got there? And the second question was the one that really did us in.

HOFFMAN: Stacey and Lara applied for bridge loans to try and mitigate the problem.

ABRAMS: We went to banks, we went to credit unions, we tried factoring. And that's when a company basically makes you a loan against your inventory.

HOFFMAN: But the global economy had not yet recovered from the financial crisis. Banks had lost their appetite for risk, and the entire industry had gone from "Yes" to "But" in a hurry.

It was soon very clear. When Nourish scored their biggest contract, they had essentially "grown out of business." They'd scrambled down the cliff face and lost their footing.

ABRAMS: The minute we took on this challenge of scale, we were dead, but it took a long time for us to finally be laid to rest.

HOFFMAN: Lara was Nourish's CEO when all this went down.

HODGSON: As much as we saw the writing on the wall, there was that little piece of hope that somebody was going to show up the next day that was going to have an opportunity that would turn Nourish around. Right? Like, you never want to say I'm giving up because what if the next day the solution was there? And so I just kept digging my heels in like, no, we can't give up. We can't give up.

HOFFMAN: Lara and Stacey bring up an important point. When you've trained yourself to keep the business going no matter what, letting it go can feel like a betrayal.

But there's a reason why in Silicon Valley, we always say, "fail fast." Because it's better to crash and burn than to languish.

In fact, I'd say when you're assessing your risks, you actually want to take on the ones that are most central to killing you, as early as possible. If you're worrying about peripheral risks without addressing the essential ones, it's like worrying about what meal to cook before you even know what ingredients you have.

What you don't want is to pour all your resources into a business that has a fundamental flaw at the center. If you fail fast, you have a better chance of failing before you've exhausted all of your resources, including the precious investment of your time. You'll want that time back when you start on your next venture.

And as it happens, Stacey and Lara's next venture was already bubbling up to the surface.

> **ABRAMS:** It was this moment of grief, but because of our intellectual curiosity, because of our competitiveness, because of our drive, we decided to turn our grief into a new company.

HOFFMAN: That new company, called NowAccount, would be a pivot to the fintech space.

> **HODGSON:** Pivot makes it sound like a nice clean move like you do on a basketball court. It was a very long slow pivot with me really not cooperating, to be honest. I felt like I was quitting on Nourish, and I'm not a quitter.

HOFFMAN: But the move from baby water to small business financing was more linear than it might seem.

> **HODGSON:** When we were growing Nourish, and we found ourselves waiting to get paid, we initially thought we had made a mistake. Right? We had mis-negotiated something. But in talking to our suppliers, we realized, because they told us, that every business has this problem. And when you think about the fact that millions of small businesses around this country are waiting 30-plus days to get paid on goods and services they've already delivered, what you realize is small businesses lend more than they ever borrow, because that invoice that they sent that says net 30, that's essentially a free loan.

HOFFMAN: In failing to scale Nourish, they had hit upon a major gap in the market. If every business has this problem, why not be the ones to fix it?

ABRAMS: The story of how our second business faltered is both a story about how we got better, but it's also a story about where so many businesses languish.

That's a conversation we need to have, because it also exposes systemic challenges that are important to me as someone who's in politics. It's important to Lara, as someone who currently runs the business we started together day to day.

HOFFMAN: But to create a company that could address this need, they'd need to team up with someone who knew the business lending space backward and forward. So they hit upon John Hayes.

ABRAMS: Our business partner, John Hayes, was one of the people who had been trying to solve this problem because he worked at one of the companies we talked to about financing, and he was one of the people who had to tell us we weren't going to get the money. But he came to us later and said, "Let's think about how we solve this."

HODGSON: We had stayed in touch with John because we were a client. And then a few months later, we get this call from John and he says, "Can we have lunch?"

HOFFMAN: Similar to how Nourish had gotten started, Stacey, Lara, and John did some of their best musings in restaurants. And it was the restaurant payment model that inspired their new business model.

ABRAMS: You go to a restaurant, they put a bill in front of you, you give them a credit card. Your bill gets paid. The restaurant doesn't say "You can pay net 30." They want net 30 seconds. They want their money now. And as consumers we're very good with doing that. In B2B, that's not the case.

And together we created this idea that there's a consumer credit card that solved this problem for business to customer relations, so B2C.

HODGSON: NowAccount is a payment accelerator that allows small businesses to get paid immediately when they deliver their good or service to a business or government customer in a way that feels like taking a credit card.

HOFFMAN: Essentially, NowAccount buys unpaid invoices from small businesses, once an order has been fulfilled. Not for pennies on the dollar, the way a collection agency might, but for the full amount. For their trouble, they charge a predictable 3% fee.

Their goal is to take the most devastating risk factors out of the equation for the small business owner. And in fact, Stacey and Lara intentionally sought out businesses that traditional lenders considered too risky.

ABRAMS: We were very intentional about building a model that could withstand not the easy clients, but the difficult ones.

HOFFMAN: Of course, there's some inherent uncertainty when you take over an unpaid invoice. But NowAccount didn't just forge ahead over the cliff willy-nilly. They wanted some top-notch insurance. So they sought it out in their partnerships.

ABRAMS: One of my contributions in the early stages was that I read laws for fun. I am nerdy in ways that really defy description. And so I was reading the Small Business Act in 2010. That was the omnibus solution to the collapse of the business economy for small businesses. There was a very short paragraph on alternative credit initiatives. I'm like, "Wait, that's us." And so we actually came into being in part because we were partners with the federal government and the state government. They wanted to find additional ways to move capital to small businesses. And we became one of those ways.

The other piece of it was that we evolved our financing model with our size. So when we finally brought in an equity partner, we were able to do so in a way that didn't diminish our ability to meet the goals of our company. Because as you know, some investors come in to help you grow, and some investors come in to help you sell. And we need it to grow.

HOFFMAN: Stacey and Lara built NowAccount to withstand the risks of financing small businesses. But they still had to convince those small businesses that NowAccount wasn't a risky bet.

ABRAMS: Small business owners, entrepreneurs, we don't trust miracles. Because it sounds too good to be true that this problem that has plagued small businesses for millennia can suddenly be solved. So we had to figure out: how do you navigate that? How do we sell the idea?

HOFFMAN: Stacey and Lara solved this problem by asking what might have put themselves at ease when they were at Nourish, and looking for capital. The answer? Get validated by partners small businesses already trust.

ABRAMS: That was something else we'd learned both with Nourish and with Insomnia. If you want people to trust you, bring people they already trust. And so we had really, really strong relationships with credit unions because when you think about the banking industry, credit unions and community banks are the two that really have the closest relationships with small business owners.

And that was how we built our first customers, because we had folks who knew that we weren't a scam. And while you have to always be cautious, you don't always have to be suspicious.

HOFFMAN: In 2016, Stacey left day-to-day operations at NowAccount to devote herself full-time to public service. That would include scaling the other organization she'd founded a couple years earlier, the New Georgia Project. (And Masters of Scale members can hear that founding story in her complete interview.) Meanwhile Lara stayed on as CEO where she remains today.

> **HODGSON:** Now is at our own inflection point. We started serving small businesses in and around Georgia, but because we work with businesses that sell to companies like Coca-Cola and others. We now have customers all over the United States, and they sell all over the world.

HOFFMAN: In 2021, NowAccount closed a round of Series A funding, and was able to expand their platform from Georgia to the national stage.

> **HODGSON:** I have become very much like the 1960s telephone operator. When someone says I need X, my first reaction is, “Oh, well, what you need is something one of our other clients provides, why don't I just connect you?”

HOFFMAN: NowAccount discovered they had the means to connect business customers to each other. So this year they'll be launching the NowNetwork, a B2B networking platform that allows them to be the “1960s switchboard operators” … at scale.

And as co-founder of Now, Stacey is still deeply invested in its primary mission.

> **ABRAMS:** One of our metrics for success is: How many jobs do we help create, and how many jobs do we save? When a business can't afford to make payroll because they're waiting on a check, when a business has to decline an opportunity because they can't afford to wait for the purchase order to come through, that's someone's job. And one of the things that we are proudest of are the thousands of jobs we've helped to create or save since the start of this company.

HOFFMAN: As Stacey and Lara point out in their book *Level Up*, half of all small businesses fail within the first five years. Their risk aversion doesn't come from cowardice; it comes from reality. So many business owners have no safety net. They believe, with good reason, they only have one shot at the cliff jump.

Then, if their business fails, they think they're not “cut out” for entrepreneurship. So many of them leave the game.

But there are multiple ways to come back from failure, multiple ways to scramble down the cliff. And every founder should have access to them.

I'm Reid Hoffman. Thank you for listening.