

Masters of Scale Episode Transcript: Phaedra Ellis-Lamkins

“Improving human dignity is an engine of scale”

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AMBER GALLOWAY: There's a famous Deaf joke about a lumberjack, it's called “Timber.” And this lumberjack goes around, and he's cutting all of these different trees down.

But when the trees fall, and the Deaf person is telling it, they do this mouth morphium, it's a movement with your mouth, where the tree comes crashing down, and your cheeks puff up big, to show density. So it goes “pfffff.”

REID HOFFMAN: That's Amber Galloway. She's a sign language interpreter and is hard-of-hearing herself. Amber's not actually going to tell us the punchline to that joke. She uses the lumberjack story to highlight a challenge of her work as a sign language interpreter, conveying sound to someone who can't hear it.

Take the sound of a tree falling in the forest.

GALLOWAY: It goes “pffff,” right? So your mouth goes really big like that. So I was like, “Wait a second, that is just like a kick drum.”

HOFFMAN: This discovery led Amber to carve out a specialty as an interpreter who covers live music. She's got over 500 concerts under her belt from Lady Gaga and Beyoncé to the Rolling Stones and Kendrick Lamar.

Amber interprets more than just the lyrics. She also conveys the instrumentation, rhythm, and texture of the music. It's a technique she developed because she recognized a need. Deaf people were being shut out of the musical experience.

GALLOWAY: At the time, I had a profoundly Deaf husband, as well as several profoundly Deaf people, where they don't necessarily hear anything except the bass, right? You're not feeling all of the other parts of the instruments.

So I would talk to my Deaf friends about different riffs. And they were like, “You know, interpreters just do an air guitar, and they'll just point.” And they're like, “Can you tell me what that means?” And I was like, “Well, oh, how do I explain that?”

HOFFMAN: Amber wanted to help Deaf audiences experience music as fully as their hearing counterparts. So she studied the work of great Deaf storytellers.

GALLOWAY: I was able to see how they dealt with sounds like the ocean crashing, what their face looked like when the ocean crashed, or when a car skid, and applied it to the actual instruments.

HOFFMAN: To Amber, this work is about more than music. It's about access to human dignity.

GALLOWAY: The biggest question is always, "Why do Deaf people go to concerts?" But if you think about it from a humanistic approach, we are more than our ears. When I go to music festivals, I love the smell of the dirt and sweat and beer and perfume and patchouli. I love to see the smiles on people's faces. The awkward dancing. The amazing dancing. The flags waving everywhere. There's so much more to live events than thinking about what my ears can and can't do.

HOFFMAN: Amber believes so strongly in this mission that she started her own company, employing a full team of hearing and Deaf interpreters.

In fact, they've created a signed version of this story for our Masters of Scale audience. You can find the link to their video in our show notes or at Mastersofscale.com.

Amber's secret to growing her career, and her business, was putting the dignity of Deaf audience members at the center of her process. Organizing around that principle was actually a key driver of her success.

That's why I believe delivering human dignity to your customers is more than just good practice. It can actually be an engine of scale.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe delivering human dignity to your customers is more than just good practice. It can actually be an engine of scale.

Here's a hypothetical. Let's say there's a new vehicle that gets you to work five times faster than your current commute every time. It's private, it never crashes, and it delivers you door to door.

The only catch? When you get to the office, you arrive dressed as a chicken.

In every meeting, there you are in your chicken suit, leading the all-hands, or delivering your presentation.

So, would you do it?

Your answer probably depends on how much you value your dignity. (And maybe your company's dress code.) For many of us, preserving our dignity is well worth the extra commute time.

But dignity is about more than how we feel on a given day. It's about how freely we are allowed to move through the world. And it can be taken for granted, especially if you're not used to having your own dignity questioned.

If you lose track of dignity as a yardstick for your business' success, you're missing out on a powerful key metric. And you may be missing a critical lever to get to scale.

I wanted to talk to Phaedra Ellis-Lamkins about this because as the co-founder and CEO of Promise, Phaedra thinks about her customers' access to dignity all the time. Promise is a platform that works with local governments to help their residents settle unpaid bills. They provide flexible payment options and longer billing cycles. If you've ever been on the losing end of an electric bill you can't pay, you'll know how valuable this optionality can be.

Prior to founding Promise, Phaedra was a union leader, a CEO for a green jobs organization, and ran revenue and operations for a home health-care platform. She even pulled off the seemingly impossible, and helped a music legend gain back the rights to his work. More on that in a bit.

Phaedra's entrepreneurial superpower is in taking a contrarian lens to existing systems and seeing where human dignity is lacking. Phaedra can see which small adjustments to a product can bring huge improvements to the lives and dignity of her customers. She comes by that awareness through her own experience, growing up in a working-class family in San Francisco.

PHAEDRA ELLIS-LAMKINS: I went to a school where you were in the GATE program for the gifted kids and all the kids brought their lunch, and I didn't because I had free lunch.

HOFFMAN: Then, Phaedra's family experienced a small improvement in income. It had a big impact on her life as an elementary-schooler.

ELLIS-LAMKINS: Then I went into the 40-cent lunch because we went to reduced. And so the big thing for me was I noticed I no longer had to stand in the free lunch line, so everyone didn't know. I was probably in third grade, and I just knew I didn't want to feel that way anymore. I always thought I want other kids to not feel the pain and the embarrassment and the shame of having to be in the line that no one else is in that lets everyone know you can't afford lunch.

HOFFMAN: The indignity of the free-lunch line stayed with Phaedra as a concept as she moved on to high school, college, then into the professional world.

ELLIS-LAMKINS: I was really moved by justice. I always wanted to have a sense of justice. So when I was young, I thought that meant being a civil rights lawyer.

HOFFMAN: Instead, Phaedra became a labor leader in the Bay Area in the late 90s when Silicon Valley was on the cusp of its first tech boom.

ELLIS-LAMKINS: It was the center of innovation. And what we were seeing is that people who were receptionists, janitors, all of a sudden, people began to outsource them. And so engineers became very important and anyone who wasn't building product became less important. And that meant that people who used to have middle class jobs now had jobs that paid very little; it was increasingly undocumented folks.

And the lack of humanity as we met with some of these technology companies and said, "Hey, these are the people who clean your buildings. These are the people who cook for you," and the disconnect between the dignity and work for those folks was shocking to me. Because the essence of technology was supposed to be liberation, freedom, access to information. And just in your building, paying people minimum wage or less than minimum wage while providing dry cleaning for your workers was shocking. And just unacceptable for the type of potential I think that tech has. It was not consistent with the theory of technology and scale.

HOFFMAN: Yes. And super important for everybody in the tech industry to pay attention to and try to be part of the solution versus problem.

HOFFMAN: To Phaedra, the disconnect was obvious. These rising tech giants were promising a great democratization of knowledge and access to the world. So how could they stand for such inequality when it came to their own hiring?

It was a problem she wanted to understand because she believed in technology's potential for scale impact.

ELLIS-LAMKINS: I think sometimes if you believe in social change, you're worried about just the individual experience. And so the key mindset for me is the more we scale, the more people get impact. And so I want to drive to impact instead of individual.

HOFFMAN: The fact is, technology companies, and really most companies, are great engines for efficiency and for building. But you have to make sure you're being efficient at the right thing. If you're leaving out key stakeholders like your workers, or your community, it will get harder and harder to right the ship later on.

Phaedra believed in a world in which technology companies could serve real benefits to the working class and the poor. But it would take some time to bring that vision to life. After over a decade as a labor leader, she spent five years leading the green jobs organization, Green For All. The nonprofit connected underrepresented communities with the jobs of the future,

deploying technology to improve environmental and economic outcomes. It was a way to help close the opportunity gap in one of the world's fastest-growing sectors.

But then she got an unexpected opportunity to take a career detour — and with it, a chance to change a famously entrenched system. Buckle up because it's one of the more interesting side quests we've ever featured on this show.

ELLIS-LAMKINS: I worked with Prince.

HOFFMAN: That's right, the music artist Prince Rogers Nelson became a client of Phaedra's in 2014.

ELLIS-LAMKINS: I started working with him around advocacy actually, which is how to think about integrating music and activism. And through that ended up working with him to get the master's deal that he wanted with Warner Brothers Records to really have artistic freedom.

HOFFMAN: If you don't remember this moment, it was a seismic one for the music industry. Prince had been in a dispute with his music label, Warner Bros., since the early 90s, over artistic control of his master recordings. It was the reason Prince temporarily retired his name in favor of a symbol.

But by the time Phaedra got involved in 2014, the battlefield had shifted. Streaming platforms from YouTube to Spotify had changed the nature of the relationship of artists, labels, and revenue.

ELLIS-LAMKINS: What changed in streaming is the way that artists were paid. And what was interesting is we looked and the record companies owned large portions of the streaming companies. And so it meant that they had changed the economics. So here you had the potential of artist liberation and artist freedom and more people getting access to music, but it devalued content, because it changed the split. It changed the way that people were paid.

HOFFMAN: Once again, Phaedra found herself and her client at the intersection of technology and human dignity. Phaedra saw that scaling tech platforms democratized access to music by consumers, but did the opposite for artists.

ELLIS-LAMKINS: It was striking to me that you had an artist who is arguably one of the greatest artists of our times. He's brilliant, and his content was being devalued. It was being heard more but paid less, and he had less control over it. Here was technology, and we had absolutely no control about the way that music was going to be heard and delivered.

HOFFMAN: Phaedra had a moment of particular clarity in the middle of negotiations.

ELLIS-LAMKINS: I was sitting in a meeting with a music exec, and they used the word exploitation, and they said, "We want to exploit the music," and just something went off in my brain, and I was like, "Oh! You want to exploit us?" And they said, "No, no, Phaedra, it's a business term." I'm like, "No, no. This is clarity. You're an exploiter, get it, and you're putting in the contract, 'Here's how we're going to exploit your music.'" So I was like, "This is clean. I get it."

HOFFMAN: The word "exploitation" might have meant one thing in legalese. But Phaedra zoomed out to look at the big picture. What she saw there was an arrangement that failed to put any value on the artist's dignity and a system that worked hard to maintain an imbalance of power.

ELLIS-LAMKINS: I realized I'd been in a room of the most amazing artists in the world, and we were talking about streaming, and it was clear that people didn't understand how it worked. So you needed someone else to explain to you, which put you at such a disadvantage.

HOFFMAN: In the end, Phaedra succeeded in helping Prince reclaim ownership of his master recordings, a feat over 20 years in the making. It was a victory that emboldened and inspired countless other artists seeking out their artistic independence, from Kanye to Taylor Swift.

After her success with Prince, Phaedra had many professional avenues open. But her heart remained tied to the mission of giving human dignity to the poor and working class. To do this at scale, she decided she would need to leverage the kind of tech that had changed the music industry. Which meant she had to become more of a technologist herself.

HOFFMAN: What was the path to get into the tech industry? Where do you go, "Okay, so tech is possible scale, we can possibly change the rules of this game?" What was the next step?

ELLIS-LAMKINS: So I thought about going to business school. I sat in on a class, and I was like, "Okay, I just been managing Prince. I had done some of the things that people were trying to figure out how to do." I'd made deals, I'd done stuff. And then it was just like the center of young privilege. So I just was like, "Oh, this is not my jam."

HOFFMAN: Instead, Phaedra surveyed her network — a great move if you're ever unsure of your next step.

ELLIS-LAMKINS: I had a friend who introduced me to Mitch and Freeda Kapor.

HOFFMAN: Mitch and Freeda Kapor are socially responsible investors. They invited Phaedra to meet a few of their portfolio companies.

One of them was a home health care start-up called Honor, which matches families with caregivers. And it was a good match for Phaedra. Back in the labor movement, Phaedra had spent years recruiting home-care workers to their union. It was rewarding but painstaking work, that happened one worker at a time.

ELLIS-LAMKINS: Working as an organizer, it was going from one person, human interaction, to actual scaling the experience. And the kind of change I wanted wasn't possible with the one-to-one human interaction.

HOFFMAN: Phaedra knew she wanted to build some sort of platform for good, focused specifically on human dignity. But before she could found a tech start-up, it seemed wise to learn how one works. She met with Seth Sternberg, Honor's co-founder and CEO, to see if there was a place for her at the company.

ELLIS-LAMKINS: He knew more than me about technology, but I knew more about the industry that he was doing. I could learn, but I could also teach, which I thought gave me leverage.

HOFFMAN: Counterintuitively, you don't actually have to have a long background in tech to lead a tech company. Leadership skills can be very transferable. But coming to the tech sector after building a career outside of it came with some unique challenges.

ELLIS-LAMKINS: Well, my challenge started on day one because I came in in heels and a dress, and I was like, "What is wrong with all these raggedy people in jeans and a sweatshirt?" So one, I just was culturally like, "Weirdos." I was just like, "What is going on?" And then they were sitting in a room with headphones on not talking to each other, and I just was like, "What?" And I realized, "They're Slacking? What is going on?"

HOFFMAN: Phaedra was experiencing a culture shift that will be familiar to anyone entering a new industry, or even a new company. That shift, in itself, is nothing to fear.

But what Phaedra noticed at Honor was that when it came to language and core concepts, the cultural divide went deeper.

ELLIS-LAMKINS: The most frustrated I've ever been at Honor was about the word churn.

HOFFMAN: Churn, of course, is turnover. You can have employee churn, or customer churn, and either way, it's a challenge. That's what Phaedra was discussing with her CEO.

ELLIS-LAMKINS: Seth and I were having a debate. I was talking about churn, and I was like, "Okay, here's what churn means," and he was like, "Churn is only bad." And I was like, "Well, no, here's why people leave..." He's like, "In our world," because they had all

gone to Stanford Business School, "Churn is bad." And I was like, "Well churn, technically doesn't just mean bad." And they were like, "No, it is only bad."

HOFFMAN: Let's leave aside the substance of the debate itself. Look at the way the conversation about churn broke down. Phaedra had one perspective. Seemingly all of her colleagues had another. And because they had all trained in the same programs, and had similar work backgrounds, they were in the majority. So they just assumed she was wrong. It's the kind of groupthink that's the product of monoculture.

We've talked before about how monoculture can lead to stagnation in a company and how it can cause great diverse talent to walk away. But that happens because of the steady drip of conversations that erode dignity. The experience can feel pretty dehumanizing.

ELLIS-LAMKINS: The consequence is, I was like, "I'm smart." I was like, "I am not stupid. You guys don't even know what you're doing. I'm smarter." The language stuff I think is very hard, and it's hard for the person who's used to being smart because all of a sudden you don't have the tools to talk about what's happening and what you want to have happen. Honor was amazing and miserable at the same time.

HOFFMAN: A company that doesn't solve for the dignity of its employees has a poor chance of solving it for customers. And a great way to correct for that is in truly diverse hiring — in terms of race, gender, age, and past experience.

ELLIS-LAMKINS: The way that people hire people is like, "How do you get such a diverse team?" And I literally am like, "How do you not?" It's clear that going to Stanford, then going to work at Google, then going to business school, then going to McKinsey. It's like that path works for so many people. But I think the challenge is you miss so much.

HOFFMAN: For a company to scale, alignment with your customers is critical. That means understanding what matters to them and delivering it with deep respect.

You will want that same standard for your employees. Don't leave their humanity out of the equation as you grow. Instead, make their dignity a measure of your success.

[AD BREAK]

HOFFMAN: We're back with Phaedra Ellis-Lamkins of Promise. If you're enjoying this episode and want to share it with friends, hit the "Share" button on your podcast app right now. And to hear my full conversation with Phaedra, become a Masters of Scale Member at Mastersofscale.com/membership. There are lots of great stories we didn't have time to cover in this episode, including the best advice Prince ever gave her, and a moment in which Phaedra turns the tables and asks a couple of questions of me. You won't want to miss it.

When we left off, Phaedra was doing her tour of duty at the home care startup Honor, absorbing everything she could about running a tech firm. After 15 years in the labor movement, the green economy, and a stint as Prince's manager, Phaedra had dreams of leveraging platforms to deliver human dignity to everyone, not just customers with money.

Three years later, she felt ready to launch a platform of her own. But at first, Phaedra didn't know what form the platform would take, or what it would aim to solve.

ELLIS-LAMKINS: Often in a marketplace, the only thing you control is the wages of the worker and pricing. And so technology fundamentally is coming through the middle and saying, "The value I have is worth something." But the only way you increase value is by usually decreasing wages or increasing pricing. And so to me, that model was broken. I try to think about: how could you create a technology company that used the benefit of scale, but that the people who relied on the service did better when the company did better?

HOFFMAN: Phaedra wanted an alternative to a model that constantly pitted company success and customer success against each other. Rather, she wanted alignment between them, so that customer success and company success would mean the same thing.

You can see examples of this dignity-first approach across the entrepreneurial spectrum, though they may not use that specific word. Here's Sir Richard Branson, talking about the ethos behind building Virgin Airlines.

RICHARD BRANSON: Thirty-five years ago, when we started it, the big carriers were dreadful. You were lucky if you had a lump of chicken dumped in your lap, and there was no entertainment. And very, very surly crew generally. And on one of those flights coming to the Virgin Islands, I got bumped, which is a sort of typical thing that airlines did in those days. And so I hired a plane and filled it up with all the people who had been bumped and called it Virgin Airlines as a joke.

HOFFMAN: That 'joke' soon became a very real business, and a very real competitor to one of the behemoths of the airline industry, British Airways.

BRANSON: What BA didn't realize was that actually people like to be entertained. They like to have a wonderful experience, they like to be in a company where the owner takes an interest in all the details, like a private restaurant.

HOFFMAN: To Sir Richard, the inherent problem with the airlines was the adversarial relationship they'd built with their customers. They had forgotten to put human dignity at the center of the user experience. Rectify that, and you would automatically become competitive.

This kind of aligned success with customers is what Phaedra wanted for her new business. But she wasn't looking to cater to the jet-setting crowd. Driven by a sense of justice, she wanted a way to ensure best outcomes for people who might not even be able to afford an airplane ticket.

So how could she build a product that was both essential, and non-exploitative, for the type of customer she had in mind?

She found a solution in an unexpected place: government.

ELLIS-LAMKINS: Government is a player who has more resources than almost any other entity, and in most places, more resources than the consumer. And it actually has an incentive to do well.

At the time there was bail reform happening. And what struck me is that two thirds of the people that were incarcerated had not been convicted of the crime they were arrested for. So they're really essentially incarcerated because of poverty. And so we were like, "Technology could help there." And that was really the idea is: could you scale bail reform in a way in which you could figure out how people who couldn't afford their parking ticket were not sitting in jail?

HOFFMAN: Phaedra saw her moment of opportunity. Here was a huge, intractable problem that was finally getting some attention in the zeitgeist. If she could build a platform that could help people out of jail while awaiting trial, she could deliver access to human dignity at scale. So with her co-founder Diana Frappier, Phaedra created Promise.

Promise was built as a govtech platform, the goal of which was mass decarceration. For people awaiting trial, Promise offered them an alternative to posting bail, that would allow them to stay at home until their trial date. Using this platform, defendants could check in with the system, log upcoming court dates, drug tests, and counseling appointments — all hugely important steps to maintaining one's freedom.

Phaedra and her team went through Y Combinator, and her investors included a range of human-centered venture firms like Kapor Capital. And when Jay-Z and his company Roc Nation invested, news of Promise went viral.

Everything was looking like Phaedra's mission was coming true.

Then something happened that changed her entire perspective in an instant.

ELLIS-LAMKINS: I was in the South, in a Southern state, and I was in this meeting, and I swear it was like, "Dukes of Hazzard." And there was this sheriff just... Literally, I just felt like it was a movie, and he was bragging about keeping one person in jail, pretrial for a marijuana arrest for seven years. And so I just thought, "This can't be my client."

HOFFMAN: Phaedra was rightly horrified. At that moment, this sheriff was her client, and so was the local court system he represented.

ELLIS-LAMKINS: Fundamentally in technology, I felt in order to do well, you have to be obsessed about the client experience. And they were bragging about the fact that they wouldn't let their dogs be in these prisons. And it was shocking to me, and it was an all white room, all the people we saw in jails and prisons were black and mostly black men.

And I just thought, technology at its best, especially SaaS Software creates efficiency and improves right margins. And I just thought, "If I do something for these people, even if what I do causes no harm, the impact of them having more efficiency is harmful." And so I just thought, "I can't help these people."

HOFFMAN: This is an incredible epiphany to have in the room. Phaedra wasn't reacting to a breakdown of her platform. Promise had done nothing unethical. But the lens through which she saw her business was the lens of human dignity. That lens essentially allowed her to see into the future — a future of helping corrupt and cruel law enforcement agencies. It was not a future she could accept.

ELLIS-LAMKINS: And so I just was sitting this meeting, and I just walked out. Thank God I had a colleague there, and she stayed, but I just was like, "Can't do this. Thanks." I just... I walked out, and I called two of our investors. I called Mitch Kapor and Bill Trencher at First Round, and I just said, "Checking out."

And I felt good. We had capital in the bank. I could pay everyone back. It was more successful than most start-ups. I could return some capital and they both were just very kind and just said, "No, we invested in you." You were always clear about who you are. You didn't want to do something harmful. And so go figure it out.

HOFFMAN: I'm actually not surprised Phaedra got this reaction from her investors. Classically, smart VCs are less concerned with a founder's best idea than they are with the founder themselves. If the founder is scrappy, observant, can think in contrarian ways, then that's what you're actually investing in.

Phaedra's investors trusted she'd find a suitable pivot. But what?

ELLIS-LAMKINS: We'd been sitting in Oakland county, Michigan and meeting with judges, and they were talking about people who are considered the highest risk to not show up for court are people who have a suspended driver's license. If you don't understand the criminal justice system, you would think, "High risk people, someone who's been accused of murder." Like, the system is going to evaluate risk in that way. And, but what I realized is that losing your license is an entry way into the criminal justice system, and most people lose it because of poverty.

And so I went back, and I said, "What happens? Like how do you lose a driver's license?"

Parking tickets, driving tickets, not being able to pay child support. And that just seemed insane that we were bringing people into the criminal justice system because they were poor.

HOFFMAN: Phaedra still wanted to address the problem of mass incarceration. Her mission didn't change, but she saw a lever she could help pull even earlier to keep poor people out of the criminal justice system altogether.

ELLIS-LAMKINS: So I went back to Oakland, California in a way that only you do when you've been in technology with hubris and met with the mayor and met with the finance instructor. And I was like, "It seems like you have an awful system here. I think we can help you." And the reason is because at the time, if you couldn't afford a parking ticket, you had to wait until it was at least \$500 to put it on a payment plan, which means you had to wait until you had additional fees and fines to pay it back. Then you had to come into the office and then you had to bring a copy of your taxes and you had to pay interest.

So it's like in technology, we were increasingly going to a world where it was: "Buy now, pay later." But for the poorest people who needed the most flexibility, it was, "Come in, show us your taxes," it made it as difficult as possible.

HOFFMAN: Pay attention to this last point Phaedra just made. The poorest people need the most flexibility — and yet consistently receive the least. This is a dignity gap that Promise could help solve and not just for the residents of Oakland. Phaedra was sure that municipal governments would be motivated to solve this too. Not only would it be politically popular, and the right thing to do. Even from a bottom-line standpoint, when residents pay their outstanding debts, governments get funded. When residents go to jail, governments spend more money.

As it turns out, organizing your system around dignity is actually more efficient than organizing it around punishment. So the city of Oakland jumped at the opportunity. Right?

ELLIS-LAMKINS: Basically the government was like, "No, thank you." And then I was like, "Well unfortunately for you, we have venture capital. And so we don't need you right now."

HOFFMAN: Promise made a counterintuitive bet and charged ahead. They created a website on their own, and put it in front of Oakland residents in debt.

ELLIS-LAMKINS: We paid people's tickets, and we let them do interest-free installment plans, and 93% of people paid us back.

And what that showed us is that you could give people who couldn't afford a ticket flexibility, and they would actually pay it back at a higher rate than all people pay their tickets back. And so that's how our business was created.

HOFFMAN: Promise challenged the government's assumption that people in debt were untrustworthy. And the proof was in their success rate. A 93% repayment rate was a staggering victory. It showed that Phaedra's contrarian thinking was also completely right.

Once Promise had proven their concept in the city of Oakland, other municipalities started catching on. Soon Promise was working with cities, counties, states, and utility companies across the country.

ELLIS-LAMKINS: It was really the belief that people will pay you back if you make it easy for them, which is what we do for people with good credit. We just don't do it for poor people.

HOFFMAN: Phaedra's exactly right. Giving poor people the same access and optionality as people with money is a matter of basic human dignity. And it's also a lever to scale.

HOFFMAN: So you begin to say, "Okay, now I figured out a technology that increases human dignity, that gives more opportunity to these amazingly great and talented people who are otherwise systematically disadvantaged."

ELLIS-LAMKINS: Yes.

HOFFMAN: So now you have to start figuring out the scale to this.

ELLIS-LAMKINS: We wanted to figure out how to have a product that had the highest amount of respect and dignity with the least amount of human interaction, which is hard to do.

HOFFMAN: Wait — let's play that back.

ELLIS-LAMKINS: The least amount of human interaction.

HOFFMAN: The least amount of human interaction?

ELLIS-LAMKINS: One really good thing about my training at Honor is from a revenue perspective, anytime someone called us, we had failed. And so the real goal for the team was to have no phone calls and no communication. If a product works well, you don't have to call, and you don't have to text, you don't have to chat. That's when the product works. So for me, if we think that having to ask for help means the product is broken, then that's how we measure success.

HOFFMAN: This is a terrific contrarian-and-right definition of customer success. Because no one calls their utility bill payment platform to say, “Hey, everything’s going great! Good job!” They call when they have a question, a problem, or a complaint.

This very topic came up in my recent conversation with Paul English, the co-founder of Kayak. Paul also believes that if your customers are calling you, your site isn’t simple enough. In fact, he so believes it that in the early days of KAYAK, the customer service number was his personal cell phone.

PAUL ENGLISH: The funniest call I got was from an older woman who said, “I’m trying to get my daughter to come visit me. We’re trying to find flights for her.” And she called me on my cell phone. I said, “I’m happy to help you. Where’d you get this phone number?” And she said, “It’s on the bulletin board at the senior home.” And I said, “Have you tried KAYAK?” And she said, “What’s that?” I said, “It’s a website to find flights.” And she said, “Well, we don’t own a computer.”

I learned something from the call: Travel can be stressful, and she wanted her daughter to come visit. And even though she didn’t own a computer, I tuned my compassion skills during that call, and it made me more compassionate to the next person. And it made me just focus on: we got to make this simple.

HOFFMAN: Like Paul English, Phaedra’s team at Promise took careful notes when they got customer calls. And they used these insights to design a more compassionate experience.

ELLIS-LAMKINS: We thought that treating people with respect and dignity was the secret to them performing better. And so we just tracked it. The number one thing people called us for were extensions. I need two more weeks. And so then we realized let’s just stop. We don’t even need you to call and ask us, we’re going to automate the process of extension. You can just do it yourself, and you know what, 90% of people pay within two weeks. So then we were like, “Cool, you don’t need to call and ask us,” everyone gets an extension. It’s an automatic thing.

HOFFMAN: What’s so smart about this approach is that she is improving the user experience from a quantitative and qualitative standpoint.

Qualitatively, granting automatic extensions is a move that’s right in line with increasing user dignity. Think about the last time you needed an extension for something. An extension on a work deadline, or on a loan from a friend. It can feel bad to ask for more time, no matter the reason.

Now think about how great it feels when your professor, or your boss, or your friend, grants an extension before you even ask. That’s the kind of experience Phaedra wanted to provide her customers at scale.

But quantitatively, the case for automatic extensions is just as strong. It improved repayment rates, while decreasing the frequency of customer service calls. Phaedra could take this data to any local government and say, "See? If you grant people an extension instead of penalizing them, your rate of repayment goes up!"

She's not asking governments to take her word for it. The proof is in the data. And the data helps the core product improve.

ELLIS-LAMKINS: The more that we had technology, the cheaper the product could be. And our goal is: all of our products right now are interest free, and so we needed to be able to keep it the cost of operating it as low as possible. And so the way we think about scale is the more people, the cheaper the product, the better the product, but obsessed about the customer experience.

HOFFMAN: Here's another contrarian insight that showed her deep understanding of what constitutes dignity for the customer.

ELLIS-LAMKINS: We don't have an app. Everyone's like, "Build an app." I'm like, "No one wants the app to pay their bills with us. They don't want something using their data, tracking their information."

HOFFMAN: This key insight helped Promise build an intuitive, plug-and-play interface with utilities' and cities' payment portals.

ELLIS-LAMKINS: The folks we work with are the most overworked, stressed, trying to manage a lot. We should bother people as little as possible and make it as easy as possible. That's the goal.

HOFFMAN: This insight shows a deep understanding of Promise's core user. If their users don't want an app, then conventional wisdom around apps doesn't matter.

Ultimately, though, Promise doesn't want to be the only entity to understand its people. Delivering dignity to users only really works when governments see people through those same compassionate eyes.

But Phaedra has observed signs this is happening.

ELLIS-LAMKINS: One of our first clients, Louisville Water, 40% of people were behind. So all of a sudden you have this crisis where you're in the middle of a pandemic, you don't want to shut off people's water, and 40% of people are behind. They were like, "It would take us 10 years to shut everyone off based on our staffing levels." And so you have this perfect kind of crisis.

HOFFMAN: Promise was able to integrate with the Louisville water department, and help Louisvillians keep the water flowing during a global health emergency. It was an obvious win-win for both the government and the dignity of its people.

ELLIS-LAMKINS: What was both good and bad about COVID is people believed there was a deserving poor. And so people thought people are not working not because of structural racism and poverty, but because the system no longer works. And so it meant that there was the space for grace. And I was just like, "If we don't run through this space, we are going to lose something as a company."

HOFFMAN: Promise did run through the space COVID pried open in people's understanding. And once they did, word spread of their success.

ELLIS-LAMKINS: Government sells to itself. And once you get one, then it sells to its neighbors, and then it sells to someone else. I think what was different for us is that normally in government selling, you go to small cities, but because the crisis was in large cities, it meant some of our first clients were large cities. And I think that's also been really important.

HOFFMAN: Today, Promise is still based out of Oakland, but has been growing steadily in the areas they serve. They just cleared their Series B round of funding, and they're looking to build more levers for scale.

They're also benefiting from some external studies that seem to bear out Promise's claims.

ELLIS-LAMKINS: There was a study done about our work; MIT's now doing something. And so when there's an external party not paid for by you that says 90% of people repay this. And we also started getting good at getting aid out, then there's the economic case for governments. There's a higher customer service rating, not shockingly when people don't have to wait two hours to get through and someone responds to them kindly, people perform better.

HOFFMAN: It may take some contrarian thinking to reorient your company around human dignity. But if you do, it will help you evolve your product, build out your marketplace, and keep your business innovating for the long haul. It's the right thing to do, and the right thing to do for scale.

I'm Reid Hoffman. Thank you for listening.