

Masters of Scale Episode Transcript: Padmasree Warrior

“Harness the passion of internal factions”

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CHRIS JENNINGS: Think of the 1840s, the Western frontier was the Ohio River Valley. In later stages of American utopianism, the Northern West Coast would become a place where a lot of these experiments were started precisely because it was a highly unsettled area; land could be had cheaply.

There was a romantic idea of going into the wilderness and building a new society from scratch.

REID HOFFMAN: That's Chris Jennings, the author of *Paradise Now*. He's an expert in utopianism. And back in the mid 19th century, utopian communes were springing up across the country. These small factions of idealists were setting themselves apart from mainstream society with the aim of eventually bringing everyone along into a new utopian age. One of these communities stood out in particular.

JENNINGS: Brook Farm was started by people that might be called urban intellectuals, and they had a pastoral vision of getting out of Boston, and going to a place where they could live in harmony with nature and with one another.

The main idea was that they were all convinced that they could somehow, by building small-scale perfected societies, trigger the perfection of life on Earth in ushering a new and golden age.

They succeeded for quite a while at doing that.

HOFFMAN: The residents of Brook Farm had had enough of urban living and set themselves apart from the rest of society. But these urban intellectuals soon began to realize that their faction was getting a little too far removed from society.

JENNINGS: Several of the leading lights began to feel, I think, a guilt about having succeeded in creating this little intellectual pastoral paradise. They realized they weren't really reforming the world; they were just creating a nice existence for themselves.

HOFFMAN: Being intellectuals, of course they turned to philosophy. They looked to the works of French Utopian theorist Charles Fourier for inspiration.

JENNINGS: What they saw in Fourier's ideas was the possibility of taking their small community and using it as a lever for social change. So they set out very intentionally to recruit more working-class members to the farm; they needed the farm to expand.

The farm expanded. They would subscribe to all the newspapers, they would invite groups of people in, they would send groups of people out.

HOFFMAN: Notice how even though they were trying to bring about a golden age for humankind, they realized their faction needed to bridge the divide with other groups who didn't share their driving passion.

But even some great things come to a halt.

JENNINGS: The end of Brook Farm, tragically, comes about when this almost completed building burns down sending them into debt.

HOFFMAN: Alas, the dream didn't last. But the factions had already united, and it still rings true today.

JENNINGS: They weren't really secessionist; they weren't trying to leave society. The utopians were more focused on transforming the whole society. They wanted to go out into the wilderness to build something new with the direct intention of showing it to the world. As a result, they stayed in pretty close contact with the wider world.

HOFFMAN: Despite its abrupt end, Brook Farm and the wider work of the utopianists still smolders on as an example of how factions can work together for a greater goal, while still staying passionate about their own interest.

That's why I believe that factions can actually unite, rather than divide if you can harness them to serve a larger mission.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe that factions can actually unite, rather than divide if you can harness them to serve a larger mission.

In the classic '80s movie *The Breakfast Club*, a mismatched group of high schoolers find themselves forced to endure each other's company during a Saturday detention.

Each represents a different faction of the student body: a nerd, a rebel, a goth, a jock, and one of the "in-crowd."

Tensions run high at first. But eventually, the members of these opposing factions get to see each other for more than their outward persona and work together to get through their detention.

The message of the movie is clear: as humans, there are far more things that unite us than divide us. And if we can avoid falling into factions, we can achieve so much more. However, when it comes to leading a business, factions can actually be a powerful force for good as long as you know how to harness them.

That's because you want to have factions that will fight hard for the success of their projects and that will advocate strongly for their part of the business.

But you need to make sure that this factionalism is in service to the higher mission. I wanted to talk to Padmasree Warrior about this because she's an expert in empowering different factions, while also drawing them together to focus on their shared mission.

She did this as one of the world's most accomplished intrapreneurs, leading massive teams of engineers at Motorola and Cisco as Chief Technology Officer of both companies. And now, with her social reading platform Fable, Padma's tapping into the power of fan factions as an entrepreneur to scale a passionate community of readers.

Padma is also on the board at Microsoft and Spotify; and she built an early and robust Twitter following before most other corporate executives saw the value of the platform with over 1 million followers.

Padma grew up in Vijayawada, India. From an early age, her creativity and curiosity marked her out as a faction of one.

PADMASREE WARRIOR: I wanted to figure out what happened if you tore off a piece from a plastic bucket and lit fire to it. And I think I was fascinated by the fact that you could turn something solid into a flowing molten piece of glowing fire that would fall in goblets. And I was hypnotized by this.

HOFFMAN: But something snapped Padma quickly and painfully out of her hypnotic state.

WARRIOR: One of those goblets of fire fell on my foot. And then I screamed in pain. And then my mom obviously was watching all this and she came running, and she saw what I was doing.

I was grounded and sent to my room and made to read up everything there is to know about the dangers of playing, literally, playing with fire.

Now that I'm an adult and have children of my own, I can see how this totally freaked out my mom.

HOFFMAN: It was (sometimes painful) experiments like this that sparked Padma's fascination in science and technology — a fascination that her mom didn't share quite so enthusiastically.

So when she graduated high school, Padma set out to find a group of people that did. She enrolled in the Indian Institute of Technology — IIT — in New Delhi.

WARRIOR: Back then IITs especially were pretty hardcore male-dominated. Pretty tough, academic schools. And so there were very, very few women in my class. There were five of us in a class of 250 undergrads at IIT.

And I also went from Southern India to New Delhi. Didn't speak a word of Hindi at the time. So not only were there no women in my school or in my class for sure, but I didn't know the language. And it was completely different food and cultures and everything.

So yeah, it was intimidating to say the least.

HOFFMAN: IIT wasn't quite the welcoming community Padma had hoped for, so she set about building her own faction within it.

WARRIOR: The fact that I didn't have a built-in community forced me to look for allies and build my own community that I could share interests with others. I quickly bonded with other people who shared similar interests as me. I'm interested in theater. I'm interested in music and books and dance. And so a group of us got together and we would talk about these things. And that became my core support community throughout school.

HOFFMAN: It's important to note that this new faction that Padma formed wasn't pulling against the more general goal of being at college: to learn, to grow as people, and to graduate.

Creating this faction allowed Padma and her group to contribute fully on their own terms.

This faction gave Padma strength and agency to be herself in what was an intimidating environment. And ironically, setting themselves 'apart' in a faction helped her find a sense of belonging within the larger school.

It also laid the foundation for how Padma thinks about community.

WARRIOR: When you belong to a community, first you have to go seek to be part of a community. It's not something that's a given, right? You have to go find others who share your interests. Actually, what is interesting, and I think this is sort of at the core of what I believe: These communities of interests are traditionally outside of the natural domain of wherever you're working. They tend to be, even at work, it's people who are not necessarily just in engineering. It's people who are doing other things. Maybe you talk about children, you talk about hobbies, you talk about travel. These are things that bond us. And I actually now believe this is instrumental in building a strong culture.

HOFFMAN: After IIT, Padma moved to the US to study chemical engineering at Cornell. She then went to work for Motorola as an engineer in the company's semiconductor fabrication plants.

WARRIOR: We had a massive big campus, like most tech companies. Very few women. The unwritten rule was: you dressed in very muted colors. Black pants and a gray shirt or blue shirt was the thing. And I grew up in India, as you pointed out. It's a land of chaos and colors and spices. And my mom sent me these colorful silk blouses and scarves that she thought I could wear to work. And I just, like, hid them in my closet, and I would just continue to wear gray and black.

HOFFMAN: But the conformity weighed heavily on Padma.

WARRIOR: And I realized that I was not being the complete me when I was going to work. I was putting on this different persona almost. And one day I decided, "Okay, this is not okay. I need to be who I truly am." And I started to dress in clothes that I felt comfortable in. Sort of like being in my own skin in some ways. Might have been symbolic, but in some way gave me the courage that I was being true to myself. So I think that was something that, in some ways, I was a rebel, and I started rebelling to bring my own true, authentic self to work.

HOFFMAN: Somehow, an unwritten rule had given rise to a culture of drab conformity, and Padma felt driven to break it. In doing so, she formed a faction of one. She wasn't pulling against the company mission; rather, she was advancing the company culture.

Padma worked her way up Motorola and, in 2003, she became its CTO, in charge of a vast global team of 25,000 engineers. As factions go, this was a large one. But she had a clear idea of what brought them together.

WARRIOR: Engineers are essentially problem solvers. We are logical thinkers. We like to be given constraints and inputs, and we come up with the right set of outputs with that. And we design systems within the constraints that we are given to operate on. That's what great engineers do, right? Tell me what needs to be done. Tell me what the constraints are — whether it's budget, time, performance, what targets do I need to go hit? — and I'll tell you what the best way to get there is.

HOFFMAN: Padma knew that this essential drive to solve problems united her entire team of 25,000, but she also knew that there were many different factions within that group.

WARRIOR: I had teams in China. I had teams in India. I had teams all over the U.S. and in South America. All over the world, literally. And everyone was different.

There's always this competitive edge between teams. The team in Bangalore wants to do better than the team in Silicon Valley and vice versa. And so you have to also mitigate this internal competition that exists.

HOFFMAN: But the teams weren't just split along cultural and geographic lines. There were factions formed around different projects. This can be healthy as long as the focus is on the good of the company. But it's also possible for the dark side of factionalism to take hold.

WARRIOR: Whenever you have large R&D teams inside a big company, there is always competition between teams, and it's almost impossible to say you can draw a clear line between what one team is doing, what the other team is doing. What we have to do as leaders is to make sure that overlap doesn't become complete duplication. In other words, two teams are not building the exact same product and especially in enterprise business, you're confusing the user and the customer, because now you have two internal teams competing for that customer's business.

That becomes very dysfunctional. So I think you have to try very hard to make sure that the competition is for doing new things and not necessarily doing the same thing over.

HOFFMAN: Beware the wrong kind of competition between your teams. Rather than being a motivating factor for growth and innovation, toxic competition can spiral quickly downward to teams trying to undercut each other as a way to ensure their victory.

You can think about factions within your company as if they were the Star Trek characters Captain Kirk, Mr. Spock, and Dr McCoy. Each was very different: Kirk's emphasis was on action, Spock's on logic, and McCoy's on empathy. And they often fought passionately over the best course of action. But they did so for the sake of their shared mission, and they did not let their disagreements override this imperative.

You want the factions in your organization to be ready to voice dissent. But you want this to be of service in spurring your growth.

Padma's solution to getting all these factions to pull in the same direction was to look outward beyond the company.

WARRIOR: So I think this is the biggest challenge any large company has with teams, where you do want some competition in the sense you want it to be healthy to feel the sense of urgency. I always try to take the approach that lets focus on what the market is wanting and where the market is going and directing the team's attention to be outwardly focused, not necessarily do better than that other internal team.

HOFFMAN: Padma was dealing with factions across one — albeit very large — engineering team. But her solution was to key in on the mission, and look outwards when you're motivating factions across your entire organization.

Padma did this to great effect with the launch of one of the most popular phones of the pre-smartphone age: the Razr.

If you don't remember the Razr — spelled R-A-Z-R — it caused a sensation when it was launched thanks to its sleek, thin folding form.

But if it hadn't been for a faction within the company pushing for it, it may never have been released.

WARRIOR: There was somebody in a research lab that was thinking about: how do we make a very thin phone that was foldable? If you remember, we've been in the industry long enough, cell phones were brick models before that. And Motorola was making the flip phones. But they were thick. And an engineer in the research lab started to work on, how do I micro miniaturize all of this electronics and make something really thin?

HOFFMAN: That single engineer soon attracted attention from other engineers in the company, and a new faction was born, passionate about bringing this new phone to market.

WARRIOR: They started to work on: how do we make a phone thin like a credit card?

And the goal was you could just slip it into your pocket and it would be flat and smooth.

HOFFMAN: The concentrated efforts of the Razr faction soon attracted attention in the wider company beyond the engineering team.

WARRIOR: And our Chief Marketing Officer, at that time, took a look at it. And he came up with this brilliant idea to call it Razr. And it did change the trajectory of that company back then in a positive way.

HOFFMAN: Notice how a faction sprang up from a single engineer's idea. And as the faction around the idea grew, so did the momentum that brought it to the top of the priority list for the company.

This factionalism even extended to the users of the Razr; they were passionate about it.

So passionate in fact that sales reinvigorated Motorola's ailing cell phone business, and gave the company a new lease on life. It's a clear example of how letting factions flourish can have huge positive impact — as long as the focus remains on the common good.

WARRIOR: When you're playing a game of golf, you're always trying to be better than yourself. So the competition is necessarily how do you improve your current product and how do you meet the customers' needs better versus compete with that team and do what they're doing, but do it better. Having two teams pit against each other is unhealthy,

but having teams figuring out how they can be so much better than themselves and how do you do the next feature faster? How do you get to understand the customer's needs a lot better? Really outwardly-focused, I think is the way to create that competitive energy in a positive way.

HOFFMAN: Uniting around the mission is important and powerful. But there are other ways you can instill a shared sense of mission across different factions.

WARRIOR: This is one of the reasons why I started to talk about, bring your whole self to work. So for example, we would do all-hands meetings, town-hall meetings. In addition to just having a one-way transmission of: "Here are our goals. This is what we did. This is how we performed." We would also show pictures, for example, of all the babies born that month for all of the team members. Or if somebody was celebrating a special occasion, if they wanted to share pictures, we would collect all of that and show that. And so these were all things that reflected who people really were as part of the organization. And it wasn't just for me to know them, but it was also for people to know each other.

HOFFMAN: Encouraging different factions within your company to share their accomplishments will make them feel part of a cohesive team, while also celebrating their different priorities and identities.

[AD BREAK]

HOFFMAN: We're back with Padma Warrior of Fable. If you're enjoying this episode on how to harness the power of factions, be sure to share it with your own factions! You can do that right now — just hit the Share button in your podcast app!

And to listen to my full conversation with Padma, become a Masters of Scale member at mastersofscale.com/membership. You'll be able to hear some of the things we couldn't fit into this episode, like the surprising way she landed her first role at Motorola, why she puts so much importance on getting to know the real person behind each and every job title, and how LeVar Burton switched Padma on to some classic sci-fi — a genre she and I love. You won't want to miss it.

In 2008, Padma left Motorola to take up the role of CTO at Cisco, heading up another huge engineering team. And just like before, Padma predicted they could benefit from some healthy factions. At Cisco, she encouraged forming factions around new product and service ideas under a program called "Spin In."

WARRIOR: The idea of the Spin In was when a group of people have a great idea, could we just fund them and keep them in the family. They're a start-up. They have a comp structure that's different from the main parent company, and they're rewarded in building that idea out, but the funding all comes exclusively from the parent company.

So it's sort of a captive start-up, if you will? And if they meet certain milestones, the parent company reserves the right to acquire them back into the company. So that's at a high level, in an abstracted way, a description of the spin in was.

The advantage of that was that you kept the innovation and you kept those ideas inside the family of the bigger company. You had the right of first refusal to acquire the innovation back into the company, to integrate that. The negative side of it: if it's the same people keep doing the Spin In, it's those people create a lot of wealth for themselves and who decides who goes into the spin in, who doesn't go, so it creates a lot of tension within the engineering teams that are all working to benefit the parent company. So that's the negative side of it.

HOFFMAN: This is a fantastic example of how to encourage intrapreneurship in a large company. But take note all our intrapreneur listeners: I wouldn't recommend such a challenging balancing act for every organization. Even at Cisco, where it was used to great success, "Spin In" could come dangerously close to fanning the flames of factionalism rather than harnessing its upsides.

WARRIOR: It was controversial, although it was a model that Cisco used several times. It's like anything, a decision you have to make. If someone's going to leave your company to start a company, what would you do as a parent company to keep that talent inside and leverage that innovation inside, or are you better off letting them go, start a company, and then maybe pay more to acquire them back in? And I think these are not easy decisions, and there are no black-and-white, right-or-wrong answers, but that was just something that Cisco did, I would say quite successfully many times.

HOFFMAN: The aim was to channel factionalism for the good of the company, but there was always the potential for it to have the opposite effect. And this is why you have to be vigilant of embedding strategies that harness factionalism into your company's culture, and sometimes you'll need to pull the plug on them when the costs outweigh the benefits.

This is something Satya Nadella famously did when he took over as CEO of Microsoft. He saw a clear need for a refresh in the company culture, which had slipped from harnessing the good of factionalism to suffering from its downsides. A case in point was the practice of stack ranking.

SATYA NADELLA: It became, at some point, a bad caricature of everything that was wrong in the company.

HOFFMAN: For those who've never had to navigate it, stack ranking is basically enforced grading on a curve. If you have a team of five people, you have to rank one as exemplary, one as good, one as average, one as below average, and one – let's call him Kevin – as poor. Even if all five, including Kevin, turned in exemplary work last quarter.

The reason behind this system is, to oversimplify a little, motivation. If you know there's a top spot, you want each team member fired up to get it. What can happen in practice, however, is that Kevin treats his very own teammates as the competition. If he can beat them, he wins, and they lose.

Regardless of the initial reasons behind it, stack-ranking had become a notorious culture-killer at Microsoft, and it was reviled within the company. So, Satya got rid of it.

NADELLA: The principal issue of any system like stack rank has, is it doesn't leave room for judgment, which is, who said that a team cannot have all above-average performers?

We all know that performance is, in some sense, relative. The world measures us that way. But at the same time, you can have periods of people performing in one team extraordinarily well, and they should be rewarded for it. In fact, the stack rank, I think, artificially took away the power of an individual manager in being able to distribute rewards.

HOFFMAN: Stack ranking at Microsoft had not only set team against team, but colleagues within the same team against each other. It had broken individuals down into factions of one, and Satya saw that only a fundamental shift in company culture could overcome the damage that had been done. At Cisco, Padma was well aware of the potential for "Spin In" to spin out of control.

WARRIOR: So it's always this tension of what is more important. Is it more important to keep the current business going, or is it more important to disrupt yourself? It's a classical tension that always exists.

I don't know if there is a right answer by the way, but this was just something we struggled with always.

HOFFMAN: After almost eight years at Cisco, Padma decided it was time to spin herself out of Cisco — not to start a new company, but to become CEO of early-stage electric car maker NIO.

Not only was it a bold move from an established career as an intrapreneur in huge companies; it was also a bold move into an uncertain sector. At the time, electric cars were far from mainstream, and even Tesla had yet to prove itself.

WARRIOR: So NIO, when I went there, it's a raw start-up. And we were, at the same time, building up teams in China, in Silicon Valley, and in Germany. And so the China team is building the physical car. The U.S. team's building all the tech: the software, firmware that went inside the car. And the team in Germany was doing all of the design.

So I think I totally underestimated, maybe all of us underestimated, how difficult it is to: A, to do a startup. B, build a car startup. C, build an electric car startup, and then do it across three different continents. It was insane.

HOFFMAN: Part of this insanity was managing the different, trans-continental factions.

WARRIOR: What we found in NIO is because we were building a car and developing software, the amount of pressure on a team like for example, for the first few months, it'll be the software team that's under pressure. The next few months it'll be the mechanical engineering team that's under pressure because they're working on the physical car. Then it would be the testing team. So whichever team was doing a lot of the work was under a lot of stress. And counter to what we thought, the engagement scores were actually higher on the team that was the busiest. So when a team is busy, they're actually happy if the work is rewarding. If a team is not busy, they're unhappy. So it's counter to what you would think.

Stress is not caused by the amount of work people are doing. Stress is caused by toxicity in a work environment.

HOFFMAN: The right kind of factions working in the right kind of way creates a positive tension that can springboard ideas, projects, and scale opportunities. But get that tension wrong, and you can quickly find your company paralysed by the dark side of factionalism: infighting and self-defeating one-upsmanship.

This is why Padma put huge effort into laying the foundations for the growth of healthy factions at NIO.

WARRIOR: The most important thing I think at that scale to do is to make sure people are aligned. You can't have different agendas. And that's so hard to manage. I think when you have so many people, such a large organization, it's hard to get your arms around everything that's happening, right? And so although you have different levels of reporting structures and management, I think a singular thing that I had to do that was so hard but so important to do was to make sure everyone was aligned. People were really clear what the goal was for the whole organization. And so defining the 'what' is really important. And how people get there, you leave it up to the team, right? Because they know the best way to get there, but we had to all be aligned on the 'what' we are going to get to.

That was, by the way, very hard for me to learn. I had to learn how to do that. How do you communicate? How do you make it really crystal clear to people, "This is the most important thing to do." Prioritizing things. Whether it's a segment of the market we are going after or building a new product, what should the product do? How you build a product, maybe there's different ways of doing that. But the outcome of what that product should be, the definition had to be really clear.

HOFFMAN: Keeping your factions from turning toxic is more challenging the more you scale.

WARRIOR: I think the big transition is when you go from a hundred to maybe a thousand people. That's the transition you have to be careful of because you have a tendency for the first hundred people to become a clique, and the people that come later definitely feel like you don't know them as well. So I went through that transition at NIO where obviously I knew the first hundred people really well, because I hired most of them.

HOFFMAN: Notice how Padma is very intentional about avoiding cliques — another word for a toxic faction that puts its own existence and identity above that of the wider organization. You need to set factions up for success, not conflict. And you need to do it with honesty and transparency. The very worst thing you can do as a leader is to set different factions up to play off against each other; this will be self-defeating and worse, unethical.

WARRIOR: You have to be careful beyond that point where you don't create this inequality in the first hundred by the rest of the company. So I think that's a very tricky transition you have to make as you're scaling.

So if you keep the environment positive, people actually love working, and then they're happy because they feel very productive, and they feel that being productive is very rewarding.

HOFFMAN: Under Padma's leadership, NIO grew from a scrappy start-up to one of China's most established electric vehicle makers; and the company made a \$1.8 billion listing on the New York Stock Exchange.

With NIO's factions pulling together, Padma left the company in 2018 to found her own start-up, Fable, in 2019.

Fable is a platform that encourages readers to form factions around works they love — healthy, inclusive factions that engender excitement and passion.

WARRIOR: When I left NIO, I wanted to do something meaningful with mobile. Mobile has sort of been in my blood for a long, long time.

As I was searching the wellness and the health space broadly, I kept coming across lots and lots of reports and data that was pointing out to how mental wellness is on the decline.

And I was like, "Wow, this is interesting. What could we do to help people cope with it? Right?"

So instead of doom scrolling, could you have a social platform that is meaningful and useful and is fun to be on?

So yeah, I wanted to create a fun social platform where people could form communities to read together, share insights with each other, and have fun at the same time.

HOFFMAN: Padma saw how social media has become plagued by negative factionalism. With Fable, she hopes to set a template for tapping into the positive power of factions to encourage users to unite around a common passion.

WARRIOR: You're reading with other people who like to read the same thing. And by the way, I think a big value proposition for Fable is: My best friend may not like to read the same book I like to read. I'm a big sci-fi fan. Most of my friends are not. And so if I tell them, "Let's read Dune before we watch the movie." They're all going to groan and grumble. So how do I find other sci-fi lovers who want to read a very intense, long book like Dune before the new movie came out? So that's kind of what Fable offers is to connect with that community that you're passionate about.

HOFFMAN: And Padma remains hypervigilant about setting a culture that lets factions flourish, while still pulling together.

WARRIOR: At Fable, for example, we have a ritual every Friday. We do something called fika, which is based off of this Swedish coffee time ritual. But we morphed it and made it our own. And we basically have one hour and it's virtual. We are a remote team. The only rule for fika is we talk about everything other than work. And so somebody poses a question, and we take turns hosting. Today's question, for example, is if you're traveling in a plane, would you prefer an aisle seat or a window seat? And why? What does that say about you?

So topics like this, right? And so I think it's really important that we create safe spaces at work for people to share who they are. A little bit about who they are as a person. So that's something that has really shaped, I would say, the core of my leadership is that. In building teams, I think that's one thing I truly believe in.

HOFFMAN: Building factions shouldn't be about separating people into warring camps; it's about letting people express their passion, and then combine that passion with other factions. This is powerful within your business because it gives everyone a sense of shared mission; it's powerful among your customers as it gives them an affinity for your product. But most importantly it's powerful for humanity, as it builds bridges from our differences, rather than divisions.

I'm Reid Hoffman. Thank you for listening.