Masters of Scale Episode Transcript: Strategy Session for June 28, 2022

“How to build trust in a brand-new space? How do you balance limited cash and big ambitions?”

Click here to listen to the full Masters of Scale episode.

BOB SAFIAN: Hey listeners, it's Bob. Today we're sharing our second live Strategy Session of the summer, which we recorded in front of a virtual audience of small business owners and Masters of Scale Members. It's part of our three-part Summer Sprint Series of Strategy Sessions.

In these episodes, Reid answers a series of questions from entrepreneurs with in-depth analysis on how to respond to the challenges their businesses are facing today. You'll hear Reid’s live answers to those questions, as well as a return of our famous Pivot Point game, plus a Need To Know segment, along with Q&As from our Masters of Scale community.

The episode is co-hosted by Reid, myself, and our executive producer June Cohen. You'll hear June kick off the event, and then I'll join a bit later.

JUNE COHEN: Hello, hello, and welcome to the Masters of Scale live Strategy Session in partnership with Capital One Business. I'm June Cohen, executive producer of Masters of Scale, and co-founder of the company behind it called WaitWhat. We are honored to have you all with us today. Capital One is our brand partner, and equally importantly, our thought partner in serving our community of entrepreneurs. And that's our mission, it's to serve entrepreneurs. We are always thinking about everything that you need on your entrepreneurial journey.

And we understand that journey because we're founders ourselves, and we know it's hard to be a founder. It's hard to be a business leader when you're creating something entirely new. It's lonely, and it's challenging, and it's invigorating all at once. And we're here on that journey with you. This live session is designed to help you sharpen strategy for your own company.

In the course of the session, four entrepreneurs will ask questions of Reid. We're, once again, playing the Masters of Scale game show called The Pivot Point. Get ready for some fierce but fun competition that's all about how to scale your business. And then at the end of the show tonight, our co-hosts Reid and Bob Safian will continue the conversation on strategy through a segment called Need To Know.

First, I'm so excited to welcome our special guest tonight from Capital One Business, it's Jenn Barendse. Jenn is the VP and head of small business cards at Capital One, so she is very dear to our audience. Jenn, welcome.

JENN BARENDSE: Thanks, June. I'm really excited to be here today.
COHEN: We're so excited to have you. I want to welcome up to the stage here the wonderful host of Masters of Scale. He's the co-founder of LinkedIn, partner at Greylock, and our host. Please welcome my dear friend, Reid Hoffman.

REID HOFFMAN: Hi, Jenn. Hi, June. Great to be here.

COHEN: Jenn, share with us, in this first Strategy Session question of the day, what is the most pressing strategic question that you're hearing from the Capital One small business community right now?

BARENDSE: Thanks, June. The environment that we live in today is so dynamic, it's so uncertain. We're still trying to get through the pandemic. We have rising gas prices; consumer and small business sentiment is falling. And on top of that, a ton of environmental and social unrest in general. And so we'd love to hear what advice you have for managing businesses and mindsets through change and uncertainty like this. It may be specifically small businesses who might be feeling this a little bit more acutely.

HOFFMAN: That's a great question. The first thing is to acknowledge the challenge, to acknowledge the difficulties. People are going to be facing challenges at home; they're going to be facing challenges in how they're navigating the world. And when you acknowledge that, just like in gratitude practices or anything else, it creates a bridge, people feel heard, they understand that they're not alone and that you care about it. Then, think about what your mission is, the role you play for your customers, for society.

So reminding people about the importance of what your business is doing for your customers, for the society. And then put a little bit more energy into building the camaraderie around the team. How do we support each other? What kinds of things can we do? And people want to be the heroes of their own journey. And because it's precisely in these kinds of challenging times that you can do something extraordinary. This is a general theme in entrepreneurship to turn disadvantages into advantages as you propel yourself forward. But it's always hard. Great question, Jenn, to start with.

BARENDSE: Thank you, Reid.

COHEN: Yeah, thanks so much, Jenn, and to Reid.

BARENDSE: Yeah. Thank you for having me.

COHEN: Reid, that was a great answer. I have another question for you. Are you ready for our tradition that we indulge in at the top of every Masters of Scale Live?

HOFFMAN: Well, yes. Although, I think that the normal entrepreneur answer is, you're always ready.
COHEN: At the top of every Masters of Scale live, including our Strategy Sessions, we always play the Masters of Scale theme song in the form of a sing-along. Let's hear the theme song.

[THEME MUSIC]

COHEN: And now it is time to head into the Strategy Session. I want to welcome the co-host for today's Strategy Session, he is the former editor of Fast Company, now the editor at large for Masters of Scale, host of our Rapid Response episodes, and now my co-host and my very dear friend, Bob Safian.

SAFIAN: Hey, June, and Reid. Nice to see you. Good to be together.

HOFFMAN: Indeed. Great to see you.

COHEN: With that, I'm actually going to hop off for a moment and just take it in. So Bob, I'm going to hand it off to you.

SAFIAN: All right, June, we'll see you in a bit. So as June said earlier, we're going to hear from four entrepreneurs with four different questions from different businesses, but the questions apply broadly. We're going to do two questions now and then two more a bit later.

The first question here comes from Kirill Gertman, and Kirill is co-founder and CEO of Conduit, which uses decentralized finance, or defi, to provide crypto-based financial products, such as high yield savings accounts. Kirill has been a part of multiple start-ups in the FinTech space. He's based out of Boston, though I think he's coming to us from Montreal for this session. Let's bring him in for his question.

HOFFMAN: Welcome.

KIRILL GERTMAN: Thank you. Thanks for having me. My question is about building trust. Well, folks hear about crypto, they think volatility. And that's actually not what we're doing. Our target market are B2B stakeholders, so CEOs, CFOs, and they tend to be skeptical when they hear about us for the first time. And so what I'm really asking for is advice on how to gain trust more quickly. How to speed up building our own reputation in this brand new space. And maybe that actually goes as far back as your time in PayPal, where you were doing something pretty similar.

HOFFMAN: You have to look at what are the specific kinds of things that are causing a possible lack of trust? Because it's, you might trust this person to give you interesting podcast advice, and this person to cook your dinner. And so, you're looking for the specific kinds of trust you're building up.

And one of the things that we had within PayPal was, if I have money in the system, is it trusted? And so we did a whole bunch of research to figure out how we could do what is known
as pass through FDIC insurance. And then of course when we're saying, "Hey, your deposits have FDIC insurance," people say, "Well, I already know that, I already trust that through my bank. And since I have pass-through FDIC insurance, I'm good." And so that's borrowing brands and trust.

If I were ideating in your space, where the creation or publication of articles and interesting places, where that could most be discoverable on the website and other places? But also you could send to people saying, "Hey, we did this article in Harvard Business Review," or something that goes, oh, okay, this is serious in this way. It might be worth accelerating.

You want to look at the ones that are specific to you. And when you have something like crypto, which frequently people are like, "Well, I see a lot of noise in the media." And so you're going to have a negative thing that you're going to have to be navigating. How do you convert the negative, almost by a judo flip, into a positive?

The fact that you're acknowledging that I may have seen that also builds trust with me. Because you're like, "Okay, you're understanding what my issues are, what my concerns are." And one of the canonical challenges, and especially in the B2B space, building that trust fast is one of the really key things in order to be able to scale your business. So thank you for the excellent question, and it's one that I think will apply to many people.

GERTMAN: Thank you. I really appreciate the very thoughtful answer with a lot of very actionable points for us. Thank you very much.

SAFIAN: Thanks, Kirill. All right, we'll go to our next question, it comes from Julia Macmillan. Julia's a London-based artist, fashion, and costume designer, and also a serial tech entrepreneur. And her latest venture is called i2i. It's a platform to revolutionize the talent pipeline from universities to the workplace by democratizing the internship experience for students. Let's invite Julia in to ask her question.

JULIA MACMILLAN: Hi, Reid.

HOFFMAN: Welcome, Julia.

MACMILLAN: Thank you, Reid. My question is that my start-up is based on community, on cultivating a network for university students. But there's so much skepticism now about social networks and so much competition. If you were launching a B2C2B network today, how might your growth strategy be different from what you did with LinkedIn in the beginning?

HOFFMAN: Well, LinkedIn went live in 2003. Even three or four years later, I would not have taken LinkedIn with the same growth strategy, because it changes. Back in 2003, I probably had a list of everyone in the English-speaking world who was an expert on virality. And now, of course, there's whole communities and forums, and Medium posts and so forth on growth
hacking and what to do. And of course, that means all of these things have changed: customers, platforms, competition. The most important thing to really think about in most consumer internet start-ups, even a B2B2C model, is figuring out what your growth strategy is.

Growth, generally speaking, happens through a platform. It could be a platform for virality through SEO. For example, a lot of SEO virality is things like Yelp, which is you post a review, it goes up on the thing, people see it, some people start making other reviews. Then you have a broader index, and you get more flow from SEO.

So each of these things are loops through a platform. Email’s obvious, mobile’s obvious. And so what are the things where, which platforms would you be operative in? Which of the loops you can do. Which of them are organic, or quasi natural, or viral. Which of them have to be juiced, or used as paid as part of doing it?

If I were doing LinkedIn today, it would be, obviously, things around, "Okay. So the vast majority of everyone’s going to have phones. They’re going to be coming out of a social network-rich environment, even though, as you know, your average college student’s like, "I’m not a Facebook person." Yeah. But they’re a Snap person, and they’re a TikTok person, and they’re doing other things as part of it.

And how do you then leverage those into what you’re doing in terms of the familiarity? And then I guess the last point I would say, when you’re designing your go to market, is obviously aligning it to what your value propositions are. I learned this lesson from PayPal at the very beginning. Because we gave away bonuses. So we say, "If you signed up, because I sent you an invitation to sign up, you get $10, and I get $10." And the reason we did that is, we’re a money transfer service. So getting dollars means that you do it. So excellent question, and good luck.

MACMILLAN: Thank you very much.

SAFIAN: Thank you, Julia, and Reid, great answers.

COHEN: Thanks Bob. And now it's time for the Pivot Point.

Welcome to the Pivot Point, the entrepreneurial game show where the answers aren't trivial, they're strategic. So here's how the game works. In each round, I will present a mission critical business moment to two contestants. They will have 20 seconds to gather their thoughts and then a fast 30 seconds to share how they would solve the problem.

The winners of the first two rounds will join a final round and vie for the epic prize. Now there are no right or wrong answers on the Pivot Point. We are going to learn together from all the answers, but Reid will judge which answer is the most scalable and declare a winner in each round. Reid, you'll be judging, so tell us a little bit about what you're looking for.
HOFFMAN: I find it very entertaining that you're probably one of the very few people in the world who can turn me into a game show host. And we pivoted into this. So the kind of things I'm looking at is how you think about it. What's your hypothesis? What would be ways you're experimenting or measuring it? What's your theory about why it would work in a scale environment?

And be creative. Be fun about it. And as a bit of a learning: just talk until your time runs out. It's worth it.

I love that advice. So Reid, let me introduce you to our first two contestants.

So contestant one is Joe Douglas. He's an industrial designer, co-founder and CEO of General Symbol, a video-based GitHub-like platform focused on knowledge sharing about hardware, with both private and open spaces. He's joining us from Palo Alto. Welcome, Joe.

Contestant two, who you have already met is Julia Macmillan. She is the founder of i2i. Welcome back, Julia and Joe as well.

JOE DOUGLAS: Hi everybody. It's nice to see you.

COHEN: All right. So Julia and Joe, you know the rules, but I'll give you that quick take on them. I'm going to share with you a business scenario, inspired by a Masters of Scale episode. You are asked to imagine yourself as the CEO of that company, faced with a critical Pivot Point. What would you do?

So here's the question. You run a medical supply business. After a strong 10 years of growth, though, you're noticing that the market for your core medical supply product is changing, and your sales are starting to flatten out. You're looking across your industry and thinking about how to expand your product lines to keep growth strong.

But meanwhile, you've also noticed that your customers are telling you they really admire your operations: how your reps take care of them, the speed at which you resolve issues, and the tools you've built for customer care. In fact, a month ago, one of your favorite customers flat out tried to poach your head of operations.

So as you face this change in your market, you're wondering maybe the way you do business, could it be a business in itself? What's your pivot?

You have 20 seconds on the clock to think of your pivot. And while you're thinking, we will bring in our music composer at Masters of Scale, Eduardo, to the stage. Eduardo, could we have some thinking music, please?

[Thinking music]
Joe, I'm going to come to you first. You have 30 seconds to share your response, and the timer starts now.

**DOUGLAS:** Upon noticing this issue, the first thing I would do is I would wrangle up a core group of team members to hit the road and we'd start interviewing customers. We'd get face to face time with them. We'd explore their facilities, and we'd explore how our organization really makes a difference in their day to day life and workflow.

And we'd try to capture as much feedback as possible, to come up with what we consider to be a customer happiness score. And we'd try to get a baseline and then do everything to ensure that we cultivate a perfect solution.

**COHEN:** Julia, coming to you next. You have 30 seconds to share your response with Reid. The timer starts now.

**MACMILLAN:** Well, what I would do in this situation, I would get all our stakeholders together. That's our customers, our shareholders, and our branding people, and find out exactly what it is about our way of doing business that people like so much. And I definitely think it could be part of a new type of business.

I've heard of another company that, the way they do their corporate strategy is so innovative that they've created a separate strategy unit just for that. So I think it's a brilliant idea.

**COHEN:** Excellent work, both of you, on running out on the clock.

Reid, from those two responses, who's the winner of this round and why?

**HOFFMAN:** They're both great answers. And I'm not saying that. June knows that I'm fairly blunt in my feedback on things.

I think I will give this one to Joe. I think that the thinking was kind of trying to get also in the concrete of the arc in terms of what the exact plan of feedback gathering was.

I think Julia might have gotten there too, but just evaluating 30 seconds versus 30 seconds, as a way of doing it.

And I also like the idea of bringing a customer happiness score, although it's usually harder... it's easier to say and harder to do. But still a good toss of, "We're going to use that as our metric for compounding."

**COHEN:** Thank you for that analysis, Reid. Congratulations, Joe. Thank you, Julia. And now, Reid, it is time to go to round two.
So let me introduce you to our next contestants. Contestant number three is Aliza Freud, founder and CEO of She Speaks, a tech-enabled marketing platform and community for a quarter of a million influencers and creatives, working with companies from Coca-Cola to P&G to Prudential to build awareness via social channels. She's joining us from New Jersey. Welcome Aliza.

ALIZA FREUD: Thank you for having me.

COHEN: And contestant number four, who we heard from earlier in the show, is Kirill Gertman, co-founder and CEO of Conduit. I understand that Kirill was born and raised in Ukraine. Welcome back, Kirill.

GERMAN: Thank you.

COHEN: Now, here is the question for you both. You have just been brought in as the CEO of a luxury watch and jewelry company. Now, over the years, the CEO who came before you made a lot of licensing deals for quick cash flow. Some of these deals are not so great for your luxury brand, which you realize one day when you were out shopping and you see your logo on a pair of cheap sneakers for dogs.

Now, you want to reclaim your high end brand from these low end places, of course. But at the same time, you're a little bit inspired by the appeal of your brand in this broader market. You want to leverage that energy, if you can, as you reclaim what makes your brand great.

What's your pivot? You have 20 seconds to think. Eduardo, some thinking music, please.

[Thinking music]

It is now time for the answers. Aliza, I'm going to come to you first. You have 30 seconds to share your response to Reid, and the timer starts now.

FREUD: Well, first I would look at ensuring that we secure our legacy brand. What is it that our customers love about our legacy brand, and make sure that that is secure, and we are constantly honoring that.

Then I would think about extensions. We can certainly look at line extensions and brand extensions, and think about how we might be able to look at that opportunity to lend our brand out to other companies, so that they can help us scale in different ways than we might have been able to do on our own. So looking at—

COHEN: Thank you Aliza. And now to you, Kirill, you have 30 seconds to share your response and the timer starts now.
GERTMAN: Yeah, I think I would actually launch a brand new brand, right? I would take the lessons that we learned in scaling our old plan and probably use some of the manufacturing capability that we have, and just create a new brand. It would probably different name, it wouldn't be the same name.

Go back to the same customers that have licensing deals with us and say, "Here's a line that I think is going to work better for you." Listen to them, listen to their own customers, and understand how we can expand that while still preserving the regional brand's appeal and preserving its attractiveness to our legacy buyers.

COHEN: Thank you both for your responses. Reid, out of those two responses, based on what you're listening for, who's the winner of this round, and why?

HOFFMAN: This is going to be super challenging, because you basically got the two classic intelligent moves to make, which would depend on the real substance of what the thing is. Is the brand already existing good? Or is the brand already existing not so good?

I think I'm going to give it to Aliza, because the basic thought was, in terms of judging for scale, the new always has the new product market fit. And, while you're getting there, you have manufacturing, as you're mentioning. And you got a bunch of thoughtful things. And like I said, it could be right to do.

But I think that the question is, in going for scale, it's like, "Well actually in fact, do we get a bunch of franchisees and get other people that are enhancing it in various ways? We can get a broader range."

But well done, both of you.

FREUD: Thank you.


Okay. Let me welcome back our contestants for the final round.

Joe and Aliza, welcome back. Here is your final question for the final round.

You are the founder and CEO of an outdoor equipment business, and your business has thrived because of your personal touch of your carefully selected team. Now your IT department has come up with a new AI tool that would digitize a lot of your process. It would allow you to cut your costs and your staff size dramatically, but that would also radically change your strategy.

You're worried that if you expand into AI in a big way, that you'll lose the soul of your company, but at the same time, it might be too difficult to pass up the opportunity to scale with this new AI tool.
What's your pivot? You have 20 seconds to think. Eduardo, you know what to do here. Thinking music, please.

[Thinking music]

Thank you, Eduardo. Joe, I'm going to come to you first. You'll have 30 seconds to share your response and the timer starts now.

DOUGLAS: I would immediately begin to engage my team members and staff to use video to share their story about why they're so passionate and enthusiastic about their great love for the outdoors. And I would share that with my customers, and I would produce a lot of marketing material that would reinforce that idea both within, and within our wider community. And we think that this would help reinforce the idea that there are still people behind that computer screen who share that love and deep enthusiasm for the business and industry that we're in, which is—

COHEN: Thank you, Joe. Aliza, coming to you next. You have 30 seconds to share your response and the timer starts now.

FREUD: Well, recognizing the passion of the outdoor community and that so many of them are social media influencers, I would absolutely tap into that as a huge opportunity to get them to share their stories and to use this new technology and share that with their audiences. Similarly, I would also engage my employees who are hopefully outdoor enthusiasts themselves, to do the same, so that we can share lots of content and hopefully, build a stronger and stronger community with both of those constituents together.

COHEN: Thank you both for your expansive responses. Reid, out of these two, who's the winner of this final round, and why?

HOFFMAN: So the thing that was interesting when I thought about this question, is there a way that we could then both benefit from that change of cost structure, change of possible scale and then share the benefit, was essentially the thing that I was thinking about on the question. The answers were very similar in terms of the engagement of how to tell the human story and be part of human, which I think is great.

I will give this to Aliza because of broadening, in addition to the influencers, also doing the employees and the other constituents, but it's very close. And I think that both of you will do great with communities and people and the human face, the human tactile touch that we are trying to get with these technology communities.

DOUGLAS: Congratulations Aliza.
FREUD: Thank you.

COHEN: Congratulations, Aliza.

So as a reminder, Aliza, your grand prize includes a free live stream pass for the Masters of Scale Summit, October 18th through 20th. It includes a LinkedIn premium business subscription and a BetterUp coaching membership for one year, plus a signed copy of the newly re-released Startup of You, authored by Reid Hoffman. You will also receive one of our famous Epic gift boxes.

Now, one of the beautiful things about it, is that the Epic gift box with the hoodie and the mug go to all of our contestants. So Joe, you are going home with that, as well as a lot of our love. So I want to thank you and Aliza and all of our contestants for playing today.

FREUD: Thank you.

HOFFMAN: Thank you very much.

COHEN: Reid, special little mid-show thank you for you. I know that wonderful game show judge is not on your LinkedIn profile, but it should be. And thanks again to Eduardo for that thinking music.

[AD BREAK]

COHEN: And with that, I would like to bring Bob back to our stage here so that we can move on to some of the Strategy Session questions again. Come on in, Bob.

SAFIAN: Hey Reid. So we get to do the next couple of Strategy Session questions, and they'll be coming from the two pivot point contestants, Joe and Aliza, who we just saw, but who didn't get to talk with you before the game. So we're going to bring back Joe first, who you remember is co-founder and CEO of General Symbol, and it's time for him to ask you a question.

HOFFMAN: Great. Hi Joe.

DOUGLAS: Hi Reid. Okay. So my question is, in the early days of a company's life, start-ups need to be lean, and they need to minimize their burn rate. This is especially true in our current circumstances. We need to do more with less, but when you start talking to outside funders, particularly angels and venture investors, they typically want you to move fast, build a giant billion-dollar market, even though you may only have a handful of team members and collaborators to build the business alongside. So how do you navigate the reality of having limited resources without curbing your ambition or reducing your overall potential?
HOFFMAN: Great question. One that obviously every scale entrepreneur faces. It reminds me of one of the definitions of entrepreneurship that I like, which is entrepreneurs are those folks whose plans include resources they don't currently have. People are working 80 hours a week, 100 hours a week, as a way of doing this. So the key thing is, you're playing this dynamic game where you're going to start with limited resources and you say, “okay, what are the things that I can most accomplish in that, that will let me bring the game to the next level?”

Now, some of the game to the next level is capital and financing. Some of it's proof points, product market fit, scale product market fit within the market. And so what you do is, you triage scrappily and inefficiently, what are the things that you need to market test, AB test, hypotheses, that then unlock these? It's almost like, thinking of a video game, unlock these prizes or levels along the journey. What's the next major milestone that will totally change the game? How do I get there? And then, what's the most scrappy way of doing it?

But it's an excellent question because as always, that's what we're all trying to do, starting as seed in series A and et cetera, start-up. So, great question, Joe.

DOUGLAS: Thanks Reid.

SAFIAN: Reid, I love your emphasis on scrappy, because I do feel like it's what we need, and embedded in that, really is this idea that we can all get more done and do more than we think we can if we really push ourselves up against those limits, and we focus the right way. All right. Our last question in this segment, we go to Aliza Freud, Founder and CEO of She Speaks. Let's welcome back Aliza.

FREUD: Thank you so much. So my question for you, Reid, is about venture investment. So my company has not taken venture investment up until this point. We've been able to be disciplined and deploy our resources and reinvest within our business to build over time. Additionally, we have also allowed our employees to be virtual if they chose to, since our inception. But many of our competitors have chosen to go down the VC route and have taken venture capital in, and they are now driving up the cost for talent, as you might imagine. And since the pandemic, they have also allowed a lot of their roles to be completely virtual. So one of our initial competitive advantages, which was the virtual work style, is now table stakes. And you couple with that, the fact that our talent pool has access to lots of new virtual job opportunities, and it's been an increased war for talent. So how do you compete in an environment like this, or do you have to join them and take VC funding?

HOFFMAN: Great question. Venture funding is one advantage. And so the question in analyzing this to get into the details is to say, “well, do we also need to go acquire that advantage and then do it?” And that is what it is. The other advantage of getting capital is, if you choose the right partners in doing it and you find the right partners, you're extending your network. I think you already are a systematic thinker on this, because you thought, well, we already had an advantage. We were playing to advantage remote. Unfortunately with the
pandemic, now everybody's doing that. Well maybe there's something that's still in there. You can say, "well, we're better at remote than everyone else and this is why, and this is how it plays." And maybe that will be an edge. Or we know where to look for, or how to recruit remote people better than other folks. But exactly as your question is, what are the edges that we can have in order to play that out?

Venture, among other things, it's only if they're additive and their networks and their capabilities, as well as the capital. There's a reason why most of the things that get to big scale, actually have taken, usually multiple rounds of venture capital because it's part of that accelerant, and it is a strong advantage. So good luck with your analysis and decision.

FREUD: Thank you. Great advice and very tangible, so I appreciate that.

SAFIAN: Well, Reid, another tough question and another great answer. And I love hearing the questions from the guests. In fact, we get lots of, as you know, burning questions sent to us by entrepreneurs, even from the guests on the podcast. And one particular area comes up, which I'd love to ask you about in our next segment called Need to Know.

So here's the question. You were talking about raising capital and the environment for raising capital feels like it's getting more and more fraught. We haven't been in a cycle like this in a while. And so the question really is, does a tightening environment impact the blitzscaling playbook? Is it more important than ever to move at hyper speed because opportunity tomorrow may be harder to unlock? Or when the water gets rougher, does the situation warrant a little more caution, look to ride out the storm instead of trying to out race it?

HOFFMAN: Well, classically complicated question. So in volatile turbulent markets, first you think defense. But then you shift to the offense game. How, in this circumstance, could I get more growth than competitors, get my position as being a leader in this transformation in the industry or something like that?

And this is part of the thing around blitzscaling, which is that blitzscaling is always relative speed. You're still thinking about that question, and you're still trying to move faster than your competitors during a volatile market, or a down market, or recession as well. And this is part of a little bit of where people say, "oh, your growth is shrinking."

There's still actually, in fact, they still really want to see growth. They still really want to see: how is it that you're going to actually be an inventor, a transformer of the industry, a major participant, maybe the major participant in what might be a new industry or a revitalization of an old industry?

And so roughly speaking, the blitzscaling stuff still applies. That throttle may be back some. One of the things that people need to think about when they're doing this stuff is what are the things that I need to do in order to get financing around? Do I need to be tighter on my capital in doing
it? And so therefore, I might have the throttle back some on blitzscaling because I know I need to get to this, then like one of these two or three things.

SAFIAN: To unlock that next stage.

HOFFMAN: It's going to unlock the next stage, exactly.

SAFIAN: As you were talking, there's something else that popped into my head that's come up in some questions, which is: how much attention do you pay to bad news versus good news in times like this? Like progress versus disappointment? Can you choose to just emphasize the good stuff and just be optimistic? Or how do you think about dealing with that trade off?

HOFFMAN: Well, I think the frame for all of it is part of one way to look at a business journey is this is a learning journey. And that learning clock, the OODA loop as the speed at which you're learning, and then you're applying those learnings, is what's really key. So when you get to good news, bad news, one of the key things is, well, which place is going to tell you, this is the way you should be engaging with customers, this is the way you should do it with financing employees, et cetera.

And so you'll obviously need some of both. What causes you and your team to rise to the occasion? Now sometimes, you might need to say, “okay, we got bad news. We just move past it.” Because almost all entrepreneurial journeys have some fairly serious setbacks. “Fine, I'm keeping going.” You're always trying to convert it into an advantage, convert it into a learning moment, see what you can do in order to do that.

And part of what I love about entrepreneurship is inherently and rationally, you should always be optimistic because it's the only way you can possibly build new, great things. If you're always pessimistic, you don't build new, great things. So it's rational to be optimistic, even in volatile and troubled times. And that's part of how we actually get out of volatile and troubled times because of entrepreneurship and optimism and building for the future.

SAFIAN: I mean, I'm with you. Listen, I prefer to be optimistic, but I hear you too that you don't want to just lean into your mood. You want to lean into where the learning is and where the motivation is and modulate those things based on what's working for you and what the environment is giving you.

HOFFMAN: A hundred percent.

SAFIAN: That's great. Well, we have some other questions coming in from our audience. And so I'm going to bring June back who I think has some lightning questions to share.

COHEN: Thank you, Bob. I'm going to come to the lightning questions from the audience in a moment, but I have to say Reid, I haven't heard you say the word OODA loop in five years since
we've recorded the Cheryl Sandberg episode, and that really made me smile. Can you take just one minute, Reid, and explain what an OODA loop is?

HOFFMAN: Yes. It's fighter pilot terminology: Observe, Orient, Decide, Act. OODA, OODA loop. Because the speed of your OODA loop is the speed at which you are learning, adjusting, and making things happen. And in fighter pilot, the reason why this is encapsulated there, that's the difference between which fighter pilot lives and which one dies. It's a really, really important thing.

And part of what the importance of speed and action within start-ups is precisely to be thinking about what is the speed of your OODA loop? How do you do it? How do you make it faster and so forth? Because that speed of learning is actually in fact really key. And it's a very important entrepreneurial concept.

COHEN: I love it, Reid. I have to say, it is a challenge for every start-up, even ours, and particularly when people come from larger companies. When my co-founder and I are like, "We have to do this, we have to do it now," people are like, "Why?" We're like, "Well, life, death, cliff, ground coming up fast. So that's why, fast, OODA loop."

And now I have questions from the audience. There are some really good ones. Reid, we'll do this lightning round style. So I'll throw it out to you and we'll do it, maybe it's a minute or less here, your answer. No time's up animations, but just the faster version.

Here's a really good one from Anne Beardsley. "How do I know when I can start paying myself? We're two years in, making a small profit, but at some point I need to pay myself. When?"

HOFFMAN: Great question. So you're essentially calculating a question of how much do I need to pay myself now versus how much would if I were not paying myself, I'd be putting back in the business because I'd be paying myself more later? And with the growth of that work?

One of the things that we did at the very early stage of LinkedIn is we paid everybody across the whole exec team the exact same amount of salary to say, "Hey, we're all being really compact on salary." That's a common start-up thing. But I think that's the calculus you need, right? And by the way, it doesn't have to go from zero to a hundred. It can go from zero to 20 and zero to 40. So I'll pay myself some here and then the rest of it, I'll be reinvesting in terms of what I'm going forward on.

COHEN: It's great advice, Reid.

SAFIAN: You have to think about: how long can you hold your breath? That's what you're doing. And every now and then, you may need to come up for air so you can hold your breath again. And you just have to keep yourself in the water, moving forward.
COHEN: Totally. Question in a totally different direction. This is from one of our members, Clayton Bailey. He asked, "What should a bootstrap consumer start-up prioritize first, launching or fundraising?"

HOFFMAN: Generally speaking, if you can fundraise before data, you should. And this is one of the things that for example, people say, "Oh, well, should I turn on revenue a little bit first?" Well, if you have $20,000 of revenue in a tech start-up, it's going to start going. "Well, wait a minute. That's a problem." It's better to have zero as this, unless you have an exposure to it. So you, generally speaking, if you can raise money before you get data, it's better.

SAFIAN: It's so counterintuitive to raise money before you've got something. But because once you've got something, you're going to get judged on it in a different way.

COHEN: There's a follow-up question from Clayton. It's a different question, but I thought I'd add it on. After the launching versus fundraising, he asked, "How quickly should hiring be ramped up as you launch a product with potential to rapidly scale?"

HOFFMAN: Well, generally this is blitzscaling. And all start-ups get to some version of how much are we hiring in advance of where we're anticipating success in our business to be, could be salespeople, could be product and engineering, could be supply chain, any number of other things as a way of doing it.

And you need to be thinking, "Okay, I'm going to be taking a risk by advancing, going ahead of my skis a little bit on this or a lot on this. So the general answer is you're going to be doing some of it. What we refer to in blitzscaling, Glengarry Glen Ross markets. Where, first prize, Cadillac, second prize, steak knives, third prize, you're fired. Really makes a difference in which of the three you are."

COHEN: Love it. This is from Anan Ganesh. And he asked, "In any product that has inherent network effects, there's always a bootstrapping problem of which cohort you onboard first. So usually you onboard who you can." And he references as you onboarded well known Silicon Valley entrepreneurs for LinkedIn. "But is there a framework to evaluate who you should onboard first? Which kind of cohort?"

HOFFMAN: I don't think there's a framework, although you could generate one for a specific thing. The usual answer is onboard whoever you can.

Don't try to be overly precise about it. And some of that was one of the decisions we made very early in LinkedIn was: "well, should we be only invitations, or should we allow people to sign up cold and start sending to their invitation?" And part of what we were doing is generational analysis. So the people in the company, the 13 people, including myself who worked there were generation zero. The people we invited were generation one. The people they invited were generation two.
And so then we set all the people who signed up cold as generation 1,000. So a vast majority of people very quickly within the LinkedIn service were from generation 1,000 descendants as ways of doing it. And so the usual rule on this is don't try to overly instrument it, just get the people in and just get the network going. And as Bob says, "The market will give you some guidance on this."

COHEN: I love it, Reid. I'm going to jump right to the next question. So it's from Judy Lee, and she asked, "Do you ever get scared of sudden change and not having an answer to deal with the change? What's the best way to deal with the fear of not having an answer?"

HOFFMAN: Well, it's very rational. Recognize that feeling the fear is good, that it means you're smart, you're seeing it, you're paying attention, you're engaged. And then own the fear in a way that says, "I'm going to use this fear in order to get smarter on it."

Now, if you don't have the answer to the question, the next thing to go to is, "Who do I call? Who do I talk to?" There's always smarter people than you out in your network, inclusive me, inclusive everybody. And so anytime I encounter any interesting serious question, I go, "Who should I call or who would I want to call?" As ways of doing it. And frequently there's people who have some very interesting perspectives that are much more either accessible to you or don't get calls all the time that would be great for this question in order to sort it out. And that's how to immediately start going into, "I'm in motion. I'm not paralyzed by my fear."

COHEN: I love the playback to call a friend, which is the classic Reid answer; call your network, call your network, call your network. It should always be your first response, first or second. And I will also add that you just reminded me of something that Reid and Bob, you guys might not have heard this yet, but there is a new course in the Masters of Scale app. It is called the Marathon Mindset. It is from the 10% Happier group. It was a co-production with them.

And one of the days the mindset is about learning to interpret how you fear. So actually when you have a feeling of fear or anxiety, not interpreting that as "Oh, this is a problem, and I am insufficient, or I'm in trouble." It's more recognizing that a feeling of anxiety is your body telling you it needs more resources. It might need more time. It might need more information. And this has really shifted how I feel when I feel anxiety turning up. I'm just like, "Okay, what do I need?" I need something. Do I need time? Do I need resources? It's very useful.

HOFFMAN: I haven't listened to it yet, but I've helped record it.

COHEN: Yes, you did. Okay. We have an interesting question from Lauren Ballistery, and she asks, "How do you care for core employees through growth?"

HOFFMAN: Well, I think one of the really key things, it's almost a gratitude practice in the house, but one of the really key things is to make sure that you're expressing how central these core employees are because frequently it's chaotic.
"Our mission, our success, what we do in the world is in part because of you. And we really appreciate what you're doing here and our society, our customers, et cetera, appreciate it." And I think that they're easy to forget when you're running around doing all the gross stuff. But you're looking for the small things that make a very big difference, and that expression of appreciation can make a huge difference. Now, obviously you have to pay attention to comp, and you have to pay attention to career paths, and you have to pay attention to communication, all of the normal things that are in the melee. But you could almost say, "Did I express appreciation this week?" Could almost be a crosscheck.

SAFIAN: I also heard the question slightly from the different side, which is that sometimes the people who you start with are not the people who can get you to the next level. And I do think those are very challenging moments to try to figure out how you let those folks who you really have heart for and would not be where you are without that they may not be the ideal person to take you to the next level. And I think sometimes that's a different communication and a different being human and a different opportunity for them. That's always been my approach is how to let them see the opportunity that is there for them in where they go next and where we can all go next.

COHEN: Yeah. Amen. I love that, Bob. With that, we've actually come to the end of our show tonight. So Reid and Bob, let me start by thanking you. Thank you both for being here.

I want to thank all of the entrepreneurs for joining us tonight and for sharing their ideas and the challenges. It helps elevate all of us, collectively. Thank you to the entire team at Capital One Business and Jen especially for being such extraordinary thought partners and such generous patrons for entrepreneurs. We just love joining forces with you.

Thank you also to our Masters of Scale partners, LinkedIn, and BetterUp for those grand prize gifts.

We've loved having you here and hope you'll become regular parts of the Masters of Scale community. We hope, of course, that you'll listen to the podcast and download the app. Try out the Marathon Mindset course, it will change your life. Read the book, become a member, find us on social media, get your mug. And we're just honored to have you and to join you on your entrepreneurial journey. I'm June Cohen. Goodnight.