Talks at GS

Reid Hoffman, co-founder LinkedIn, partner Greylock

David Solomon, Moderator

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Reid Hoffman: I understood about technology entrepreneurship. And about the fact that if you create these products, you can redefine the scope of society, the nature of global humanity.

[MUSIC INTRO]

David Solomon: We're really, really privileged to be able to hear from Reid this afternoon. I think you all know, he's been an entrepreneur, he's been an executive, he's been an investor, and he's played an enormous role in building a number of consumer technology companies. You certainly know that he co-founded LinkedIn. He then, after being an entrepreneur, has gone to be a big investor and joined Greylock as a general partner. And you're writing books, including the latest, *Master of Scale*. And so, you know, please welcome Reid Hoffman.

So, one of the things I didn't know but in doing some research to ask you some questions, I found out your first company was SocialNet.com, an online dating website, matching people with similar interests back in 1997. You were certainly kind of ahead of the curve in that context.

But talk a little bit. What promoted you to be an entrepreneur and start business back in the '90s? What kind of drove you or motivated you?

Reid Hoffman: So, I read a lot of science fiction as a kid. Still read some science fiction. Gives me a hero narrative about humanity. And I wanted to have impact at that level. And so, originally, I thought I was going to be an academic, thinking about ideas about how we think and speak and communicate. And then realized that academia has this kind of narrowing scholarship versus a broader impact. And by luck of having gone to Stanford, I understood about technology, entrepreneurship, and about the fact that if you create these products, you can redefine the scope of society, the nature of global humanity.

And so, I've been thinking about that. And so, then, you know, got some jobs to learn some skills. Decided not to be a professor. And was always kind of focused about how is it that it's kind of like the I plus the We? It's like, you know, better for individuals, better for the group. How do you redefine the space of that? And how do make that happen? And obviously, software and networks that networked human beings together was an obvious outcome of all that.

And so, Social Net was my first effort. Most of the time when I give a bunch of advice on what not to do, it's things that I learned by blowing myself up at Social Net and doing that badly. And they'll say, "Oh yeah, don't do that." And so, that's why I became an entrepreneur.

David Solomon: You can put Social Net aside. But PayPal, LinkedIn. I mean, you're doing pretty well at building businesses. And you decided to go be an investor. And being an investor is a very different thing, right? I mean, it's fundamentally a different thing. Talk a little bit. When you made that transition, what was that transition like?

Reid Hoffman: Well, it was a little bit accidental. So, when I started LinkedIn, I was also getting pitched on various other businesses. And this was back kind of we were assembling the group in 2002 and we kind of officially founded in 2003 and launched in 2003. And Silicon Valley had gotten kind of crazy. It's like the consumer internet is over. Right? It's Yahoo and Amazon and, you know, Google. And that's it. Right? And I was like, no, no, actually in fact, it's just beginning.

And part of the whole Web 2.0 thing, I was calling it internet 2.0, Web 2.0 is a better name, was happening. And so, I started angel investing. And so, I invested in Flickr, and I invested in Friendster, and I invested in Facebook. And I invested in all of these companies as an angel investor saying, look, the consumer wave is going to come back like a tsunami.

And the LinkedIn thing is part of the thing I'm trying to design to how to make people more able to take control of their economic lives, everything from, obviously, you know, individuals looking for jobs. But also, entrepreneurs and people trying to find the right business connection to make

some kind of something happen.

And I said, okay, I'm going to do all this investing. So, I did that as an angel. And basically, the way I balanced my time was, I was working Monday through Saturday at LinkedIn. And on Sunday afternoons, I had a local Starbucks that I was meeting entrepreneurs in to decide whether or not I would do angel investments. And at that point I'd have to make the decision basically on the spot because I didn't have time for anything else.

Now, having done that, once I hired Jeff Weiner to kind of take LinkedIn to the next level of scale of organization and impact and all the rest, I was looking at this and said, well, I don't want to go start something else, because I still need to be very present and part of LinkedIn. But I know how to do this investing thing. And I've been thinking about how do you do this investing thing at a higher scale. What is the way that you build venture capital firms in the networks? And how is that network around it an amplifier, similar to other kind of networks, for things that happen with companies?

David Solomon: So, you touched when you were talking, you talked about this evolution to web, you said Web 2.0 instead of internet 2.0, and you mentioned a bunch of companies. Where are we now? Are we at 3.0? Are we at 4.0? You know? If we were using a baseball analogy, are we in the third or fourth inning? Or are we in the seventh inning with respect to these platforms and the innovation that can come from the platforms?

Reid Hoffman: So, there's so much technology stuff happening right now. Like, for example, you get this question, say, which technology is going to be the future? Say, artificial intelligence. Okay. Great. Crypto. Okay. Great. AR/VR. Okay. Great. Synthetic biology. Okay. Great. Continuing Cloud mobile. Okay. Great. I mean, like quantum coming. You know? And so, you're like, okay, it's all, like, there's just so much going on that no one has it all in their brain. And by the way, I think it'll be multiple things going primarily.

Now, in terms of the internet, I gave a speech as SXSW maybe a decade ago saying Web 3 would be data and built on data. Which is a foreshadow of AI. Maybe the most

principal thing is crypto, right, because redefining kind of the value ecosystem, governance, et cetera. I mean, there are principles within crypto that if you applied them to basic internet protocols like, you said, well, actually DNS should work more like in a crypto fashion, et cetera, could be super interesting. And so, I think maybe that's the one.

Of course, you know, it really made a lot of sense from 1.0 to 2.0 because everyone [UNINTEL] 1.0 when it's all done. And now we're going to go do clean tech and enterprise software and everything else. Like, no, no, no. Now everyone knows that there's a huge amount going on. And so, it's, maybe we're in, you know, 7.5.

David Solomon: You talked about how you were an early investor in Facebook. Facebook's obviously become a huge platform. And it's going to be with us in one form or another. But how is that form going to evolve? Talk a little bit about what you perceive as going on with Facebook today and what kind of challenges of its evolution will be?

Reid Hoffman: So, the thing that I've been trying to persuade them for a while of, and I put this in *Blitzscaling*,

the book before the last one which is the *Master of Scale* book, is when you get to a size, a certain size, you have to start thinking about society as a customer as well. It's not just the individual. So, you can't just say, well, this is what people click on. It's what they choose to do. It's like, no, actually, in fact how the whole ecosystem works.

And so, I think that the notion is that Facebook really has to make some public commitments about how they're going to work on what their impact within society is, and what are the things they're doing. How they're going to be more transparent about it in discussing what's going on.

David Solomon: Do you think there should be more, generally, with respect to social platforms, et cetera, should there be a different regulatory construct?

Reid Hoffman: So, the thing to think about is people say, "Oh, you should regulate." It's like, what does it mean? What are you going to do? And so, the thing is to say, well, these modern companies are managed by dashboards. What's the dashboard that you would like to see Facebook testifying to its auditors, "This is where the numbers are"?

What are the issues? What are the things you'd like to see on that dashboard? That's where you start. What's in that dashboard?

Then you could say, well, okay, in terms of managing to that dashboard, what's the level of regulatory presence that we need? Might just be, hey, we'll have a blue-ribbon commission. You've got to talk to them. You've got to tell them what's going on. Could be you have to commit to certain numbers. Could be you're being fined if certain numbers don't hit the right position.

Or like, one of the other things I've talked about publicly is the tech industry creating something like the MPAA to say, look, well, public/private, like tell us what you're looking for and we'll figure out how to solve that. Right? Because we'll do a much better job and it won't be locking in the, like take for example, you know, the issues-- this is one of the things I was showing, is you say, okay, well, we don't want to show instances of terrorism on live video. And you say, okay. You could say, well, the regulation is, is you have to have a 30 second gap, you know, delay on this thing. Okay.

David Solomon: That's what regulation would look like.

Reid Hoffman: Yes, exactly. And you're like, okay, that doesn't necessarily solve the problem. It could actually leave a lot of other innovation out. Whereas if you said, well, actually in fact, you have to audit the number of cases that do it. And you have to pay for the first 10,000 views it's $10,000 per view. And for the next 100,000, it's $50,000 per view. You figure out how to not do it. Right? Much, much better as an instance.

David Solomon: Yeah. I'm going to jump around because, you know, we have limited time and there are so many things I want to ask you. Why don't you give me, kind of the Reid Hoffman download on how you see crypto and the disruption that it's currently creating.

Reid Hoffman: When people say, well, everything will go away and it'll only be crypto X, bitcoin, whatever. That's dumb. And it's not helpful. But what is interesting is to say, well, what are we doing such that you could lead to, for example, a lot of the less economically privileged part of

the world being banked? What are the things we can do for actually having further diversity of portfolios and assets? What are the different kinds of governance mechanisms that could lead to these platforms and enable them as development platforms? And that's part of the stuff that I like about crypto.

Now, I don't think-- there is a strain of crypto that says, oh yeah, government bad, government out. It's like, no, the government is the society we live in. And there are reasons for that. That strain of crypto is probably the strain that I'm least sympathetic to. And to give you an example, people say, "Well, you can't regulate bitcoin." It's like, well, here's an easy way to regulate bitcoin. Like totally, could be done tomorrow, totally simple. You say, "All right, you have to declare your bitcoin holdings to a regulated financial institution by the end of the month. If you haven't done that and we find that you have them, you are liable for 5X the amount that you have plus jail time." The vast majority of people are going to go declare their assets, the thing. Fine. Now you have a regulatory framework. It's really simple.

David Solomon: And you also have to remember that bitcoin isn't worth anything unless it's turned into fiat currency. And so, at the end of the day, it's going to be fascinating.

But I think the more interesting thing is how the network that's being created can change the way money moves, the payment rails are rebuilt, and how--

Reid Hoffman: It's already doing that.

David Solomon: It's already doing that. And it's doing that very, very quickly. And I think that disruption is only going to accelerate in a very meaningful way.

You and I were having a conversation this summer with a group of people at a table where we were talking about coming out of the pandemic. We were talking about what a gathering is and why a gathering is important and how to gather and how to connect with people.

And you had some very interesting views that were kind of off what the conventional view would be on this. So, talk a

little bit about how you see this evolving, how we come back together, why is it relevant in the tech world and with engineers. And just talk about how you think about those things.

Reid Hoffman: So, obviously, in the last, you know, kind of year and a half plus, 18 months plus, we've learned a lot of things about you can work in a distributed fashion. We've learned a lot of different tools for doing it. Not just, obviously, Zoom and kind of videoconferencing and so forth, but also other kinds of collaboration work tools. We've learned ways of doing hybrid meetings and a bunch of other stuff. And all of that's, I think, really important. I think that will enable a bunch of new future of work, new work patterns that haven't really existed that far, not just because the whole market has been conditioned.

One of the things that people tend to too often do is draw a straight line from where we are. And so, they say, "Oh, we're going to have distributed companies. And oh, we don't need to have office anymore. And oh, you know, this other thing." And I think, look, I think there will be some more distributed companies. I think that companies that

are not in dog fight competitive spaces, which is what you looked at for distributed companies before of kind of established position can hit a more distributed basis, I think that we will integrate more folks from talent from various areas of the world in through distributed platforms because we've learned how to do that. And I think we'll do all of that. And I think that's great.

But I also think that a lot of us are going to end up back in the offices more than we currently would predict that we do. And I think that there will be a natural network effect of regathering to that because, one, you know, it's actually, in fact, pretty often the way that decisions are made is by people kicking things around and brainstorming and thinking about it and having a pickup conversation in the hallway and so forth. And by the way, when the edge matters, right, which is entrepreneurship, which is competitive business, then it's everything you can be doing for that edge. And so, I think there is overly beating the drama of remote work and all the rest. And I actually think the right plan should be is, well, no, actually, we're going to need a bunch of collaboration. And so, where is that going to end up?

David Solomon: Artificial intelligence, you've touched on. AI. You sit on the advisory council for Stanford for the Institution of Human-Centered Artificial Intelligence. These are complicated issues as you think about how AI is going to affect is broadly. If AI is to serve the collective needs of humanity, how should machine intelligence be designed to understand human nature, interact with us, you know, on multiple nuanced dimensions? Talk a little bit about how you see the evolution of this.

Reid Hoffman: So, the problem is is no one knows the answer to that question. There isn't a person alive today that knows the answer to that.

David Solomon: Well, I appreciate that. I asked you because I hoped you would be the first person that could actually answer it for me.

Reid Hoffman: Well, in various ways I am working to hope that we get those answers. The [UNINTEL] institute is one of them. I also pulled together complications [PH] of the various groups that are leading in artificial intelligence:

Google, Microsoft, Open and others, in order to work on that question because I think it's an important one to be doing. And it usually goes under the term AI Safety. And AI Safety ranges everything from making sure you're not institutionalizing, for example, injustice in the criminal system for a lot of of things. Two, you know, what happens with misalignment of interests? And what happens if an AI designed for something goes really bad? And I think that whole range is important.

And I think part of what you need to do is think about, like for example, part of the thing is people talk a lot about explainability. So, like, these large models which are really super powerful and interesting, and I think we're going to see all kinds of interesting things. If you want to see the stuff that I've been paying the most attention to in the last six months, look at the Microsoft Co-Pilot product or the Open AI Codex product in coding. Because I think we have line of sight to say two years from now making engineers 2X more productive. Even single one of them. Right? That's interesting. And so, you know, this kind of thing as [UNINTEL].

And then you say, okay, now what are the possibilities of things that could possibly go wrong? How do we understand these large models which are hard to understand? How do you develop other AIs to check your work in order to make sure that happens? How do you have the right data sets to do training on? I think there's going to be a large set of these kinds of answers. And I think that's what's going to play. And the important thing is, is that we're paying as much attention to that as we are to building these really amazing systems.

David Solomon: What do you think entrepreneurs can learn from the no's that they're bound to encounter? As you were building these businesses, I'm sure there was a lot of resistance early on in some big businesses. What did you learn from the no's that really helped you stick to what you were doing and really drive forward?

Reid Hoffman: Yeah. And this is the first chapter in the new *Master of Scale* book. But the key thing is, is this a useful no that you can learn from or not? And if so, get the learning. Get the interaction.

And to give an example of personal. The recommendation, and there are some entrepreneurs here who know me, so they've heard this from me before, is to always go and ask people "What's wrong with my idea? What's wrong with my strategy? What's wrong with my business? What's wrong with it" because then you get potentially useful feedback. If you show up and say, "Hey, what do you think?" Then people say, "Oh, you want reassurance? Oh, it's great." Okay. That's not very helpful. And so, you do that. And by the way, some of that is in venturing. And you'll say, "Hey, will you invest in the business?" They say no.

Now, at LinkedIn when I was doing it, and I was going around and asking smart people, "What'd you think?" And they'd say, "Well, you're never going to succeed." And why are you never going to succeed? "Well, it's a network product. Your product only has value propositions once there is a bunch of people in the network. No value for the first person. No value for the second person. No value for the third person. I don't know how many people you need to have, call it a million. How do you get a million people in your system when you have no value proposition?" Right? Smart, objective no's.

Now, then what you do as an entrepreneur is you have a theory of the case, you have theory of the game where you say, "This is what I think I know that they don't know. And this is why I think I can pull it off." You have that explicitly done. So, you're measuring it as you're going along. Measuring sometimes can just be instinct, or measuring can be asking smart people if the thing you're doing is working, or it can be data. And then you're playing it off.

And so, no's can be extraordinarily useful. And I learned this, actually, speaking of Social Net from my very first thing because I was going around with Social Net, with this idea about this better profiling, matching system and so forth. And they'd say, "Well, you've got a fundamental leaky bucket problem with your business which is you spend this money to acquire your customer," this was before I understood buyrality [PH]. "And then at three months or whatever thing, the person is going to churn out. Either they've met somebody and they're good. Or they haven't met someone, and they hate you. And so, they're going to leave." And I was like, "Oh no, no, well, I'm sure we'll solve that." Well, that ended up being the problem with that kind

of business. And massively difficult to get around. And if I had been listening to the no's appropriately, I might have started designing the right system earlier.

David Solomon: You talked about going to Starbucks and having all of these founders come through and pitch you on their business. What is the one characteristic of an entrepreneur, they're coming to pitch you, that you're looking for? What's the one thing you look for first?

Reid Hoffman: Well, fundamentally, I don't know if it's exactly first but in the first meeting, is these journeys are very fast, infinite learning journeys. You have to be learning things all the time. Each business is somewhat sui generis to itself. And so, what I look for is a combination of persistence and flexibility. It's kind of this yin and yang of these things where it's like on one hand, I have a vision. I've thought about it deeply. I've got conviction in what I'm doing. On the other hand, I am learning. I'm adapting. I'm asking questions. And so forth. And that kind of learning curve within that persistent flexibility is the thing I most like to see.

David Solomon: So, I've got a quick lightning round to wrap up here. And what I'm going to do is you've worked with a lot of interesting people. I'm going to give you a name and I want you to tell this group what you've learned from working with that person. Sound reasonable?

Reid Hoffman: Sure.

David Solomon: Okay. What did you learn from working with Peter Thiel?

Reid Hoffman: Seek being contrarian and right.

David Solomon: Linda Rottenberg?

Reid Hoffman: That there is absolutely amazing talent everywhere in the world and you should be extremely excited about that.

David Solomon: Brian Chesky?

Reid Hoffman: Design.

David Solomon: Mellody Hobson?

Reid Hoffman: Wow. A couple things. One, she's given an excellent talk on being color brave. So, lean into it. Don't think color blindness is a way of solving that. And second, you know, one really good way of learning is just to shadow people around.

David Solomon: Elon Musk?

Reid Hoffman: Absolute persistence and a huge vision.

David Solomon: Which he has. Reid, thank you. I mean, I love talking to you. And you know, thank you for being here, sharing your thoughts with everybody here. We all really appreciate it.