

EPISODE 1336

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1336, Lara Hodgson, co-author of the book *Level Up: Rise Above the Hidden Forces Holding Your Business Back*.

***LH:** Not only was there fear. There were very real tears. I still remember the days that I sat in my car and cried because I, in my mind, had messed something up. But I think you're right. I think that this idea that entrepreneurs love risk, and they're fearless, and they just leap off of cliffs and build the wings on the way down, the unfortunate byproduct of creating that persona for an entrepreneur is that it discourages many people who would be amazing entrepreneurs from ever giving it a shot."*

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. Our guest is Lara Hodgson, who with co-founder, Stacey Abrams, has launched multiple companies, and they have now co-authored a book called *Level Up: Rise Above the Hidden Forces Holding Your Business Back*. Because here's the situation right now in our country. It's one thing to start a business, and right now there is a thirst for entrepreneurship like never before. Many businesses are being started right now. The problem, however, is growing that business. At some point, small business owners will navigate a critical turning point, and that's either leveling up or giving up, and that's where our conversation with Lara begins. We talk about how she and Stacey went on to raise capital, utilize their network, and take actionable steps to scale their business.

A little bit more about Lara Hodgson, our guest, she is President and CEO of NOW Corporation. She served as an entrepreneur in residence at Harvard Business School. Prior to that, she co-founded Nourish, a children's products company, and Insomnia, a firm specializing in investment, development, and management of complex and innovative world-changing projects.

Lara received an MBA from the Harvard Business School and a BS in Aerospace Engineering with highest honors from the Georgia Institute of Technology. Today, she serves as a trustee of the Georgia Tech Foundation, in addition to many other boards.

Her co-author, Stacey Abrams, is the three-time New York Times bestselling author of *While Justice Sleeps*, *Our Time Is Now*, and *Lead from the Outside*. She's an entrepreneur and a political leader. She's a tax attorney by training. She served 11 years in the Georgia House of Representatives and seven as minority leader. She's launched multiple organizations devoted to voting rights, training and hiring young people of color, and tackling social issues at state, national, and international levels. She received degrees from Spelman College and Yale Law School.

Here's our guest, Lara Hodgson.

[INTERVIEW]

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FT: Lara Hodgson, welcome to So Money. I can't wait to talk with you, all about scaling our small business and all of the learnings that you have. Thanks for being here.

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LH: Thanks for having me.

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FT: Your book, which you co-authored with your business partner, Stacey Abrams, as well as Heather Cabot, who is a friend of this podcast, she's also an author and journalist, the book is called *Level Up: Rise Above the Hidden Forces Holding Your Business Back*. We're going to dive into some of these challenges that you've identified. Lots of them from personal experience. But first, I would love to, Lara, spend a little bit of time learning about your partnership with Stacey Abrams. A lot of us know her as the political leader running right now for

Georgia State Governor. But she also is a very successful entrepreneur. Together, you have built three companies over the years, and I understand you met in line at a conference. So take us back to that moment and how that initial meeting transpired into a decades-long, multi-decades-long partnership as business owners.

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LH: Sure. It was a very unique experience. Stacey and I met because we were both selected to be members of the Leadership Atlanta Class of 2004. As that class kicked off, we did some sort of getting to know you sessions, and one of the first sessions that we do is actually a race relations workshop, which is something we all sort of approach a little bit not sure what's going to happen. It's a well facilitated event, but one of the things that the facilitator does very early in the session is he has researched every person in the room, and he does something to push you outside of your comfort zone. He does something to kind of make you uncomfortable.

For me, it was that he wouldn't call on me, and I am an extrovert, and I like to talk. So when you take away my voice, I'm uncomfortable. I don't know how to interact. With Stacey, he actually did the opposite. Stacey tends to be more introverted, and he made her share something that she would never share with others. So she shared that she had a dream of someday being president, and I thought, "Oh, I have never heard another woman say that. I used to say that as a little girl. I have to meet this woman." So being the extrovert that I am, when we broke for lunch, a few minutes later, I accosted her at the buffet line. Being the introvert that she is, she said, "Oh, my gosh. Why is this over caffeinated woman talking to me so closely?"

So we started talking, and all of a sudden, she was like, "Wait a minute. I know you." It turns out that a few years prior, I had facilitated a strategy session with a nonprofit that she chaired. She said, "I remember watching you back then and thinking that your energy was endless, but also thinking that I was taking notes, and I never take notes. That you said some things that were really intriguing." So it was really kind of luck of the draw. From that point forward, we ended up in the same study group. So we got the opportunity to spend an incredibly large amount of time together that year. But we did so in a setting where the group was pushed to think about problems that were bigger than us.

While Stacey and I are very different, we come from very different backgrounds, we saw each other put self aside to tackle big issues and to be open-minded and think about how to sort of juxtapose opposite viewpoints. So we really built a respect for each other that ultimately led to us going into business together.

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FT: That's such a great story, and I recall hearing you both talk about how the diversity of your thinking is also a huge contributing factor to your ability, your endurance, and your sustainability as business partners. That one of your tips is don't spend too much time together because that can happen very easily as co-owners in a business.

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LH: Yeah, absolutely. You never want to go into business with someone you don't know at all. But you also don't necessarily want to go into business with your best friend. Assuming you want to keep the best friend. Because if every aspect of your life overlays on top of one another, then it's hard to maintain that diversity of thinking because your experiences start to merge. I think what was so helpful with Stacey and I is that while we have the utmost respect for one another, we don't overlap in every day of our life. It's not like we live next door to each other or our children go to the school together or we go to church together. So having the ability to come together and then step away really allows us to digest our different viewpoints, bring them together, but also maintain our independent thinking.

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FT: Let's dive into the book. You write that it's never been easier to start a business. It's never been harder to scale it. Now, just some background, Lara, I did an interview a couple of weeks ago with an author of a book that was writing about tiny businesses and the benefits of being small because as she discovered through her profiles, it naturally leads to more balance in your life. Why is growth important? Why is scaling important and something that you wanted to bring front and center in your book?

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LH: Well, I think it's important for a couple of reasons. Some people when they start a company, in reality, they start a job, and they have no intention of the company growing beyond them. That's more of a lifestyle business, and those are fantastic for the reasons you just described in terms of balancing your lifestyle, etc. However, if the business is going to grow beyond the founder, then it does need to scale. The importance of scale is that scale is what creates jobs.

So if you think about where we are today as an economy, coming hopefully through the pandemic status and more into an endemic status, what we're seeing on one hand is more people are starting companies than ever before. The challenge is the vast majority of those are not set up to scale, and so they won't be in a position to create jobs and create economic prosperity for the larger community and for a larger population of people. So while we look at the fact that more companies are being started, we're also seeing research that shows that we're in an entrepreneurial crisis in this country because if some portion of those companies don't scale to the point where they become an ongoing concern that survives beyond the founder's desire to put hours in, and they don't create jobs, then we're actually going to hurt the economy rather than help the economy.

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FT: You write that, of course, growing and scaling takes money. We often think that just means spending more time on the business, which time is a limited resource. So you have to, at some point, look at raising money or raising your prices or doing something that really is a financial trigger. To put it in Stacey's words on a podcast recently, a Harvard Business Review podcast, she said, "Raising money for your business is a work of alchemy." So I would love for you to share now – This is a huge obstacle for a lot of business owners, particularly women-led and women of color-led businesses to raise that money. How did you do it with Stacey, and what's your advice for others?

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LH: Well, I think the first thing is to make sure that you remember that raising money is a means to your goal. It isn't your goal. I meet so many people who get caught up in this, "I've got to raise money," that before they know it, their goal is raising money, and they sort of lose sight of their ultimate goal for the business, for themselves personally, etc. They just start chasing dollars.

I think the other thing we have to sort of dispel is this urban myth that says that all companies that scale need to raise venture capital or go take out large loans. The reality is many businesses can scale themselves by using their own cash flow from operations, if you set the company up correctly. So we've fallen into this world of Shark Tank and uber fast growth companies, where we think that if your company doesn't grow 10x in a year and take in venture capital and then exit as a unicorn, you are somehow a lesser class entrepreneur. That is not true. That is not true at all.

I mean, if you look back at many of the companies that have created long-term sustainable value in our economy, they didn't grow that way. They grew slowly but steadily. They scaled. They were consistent. They were sustainable. I think we have to get back to a world where both are considered equally good options, primarily because if we only focus on this idea of uber fast growth, venture capital unicorn exit, only certain types of companies lend themselves to that type of growth. Unfortunately, that discourages many women and underrepresented founders from even being entrepreneurs because those folks might have started a company that was making cookies or something, right? But Mrs. Fields would argue that that was not a bad business to start.

I do think when we think about the capital needed to scale, first, you have to ask yourself what type of business do you have and what type of scale does it lend itself to. Is it sort of slow and steady wins the race? Or is it uber charged rocket ship? Different businesses lend themselves to different types of scale. So once you know that, then the question is, okay, to depending on the rate of growth and sort of the asset intensity of the business, do I need to go outside and raise outside capital? Is it short-term need? Or is it a long-term need? Because that would dictate whether you're looking at something that's more debt-related or more equity-related.

Or as we've seen with NOW account, many of our clients realize that if they can just get paid faster, they can use their own revenue to fuel the growth, retain their ownership, and not take on

the risk of loans or factoring. So it really does beg that you focus on what is it you're trying to accomplish and in what timeframe before you start chasing dollars.

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FT: Right. Seeing what resources you may have at your disposal. For example, you bring up in your book that getting paid net 30. The net 30 invoice is fraught with challenges. This is something that you and Stacey actually changed for yourselves. So I would love for you to share that anecdote because I think that speaks to your earlier point of also realizing like how you're getting paid, and the cash flow that you have can also support your endeavors to scale.

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LH: Right. Well, and I think that anecdote is proof that some of the best business ideas come from the most painful moments in your life. It was because we were trying to scale Nourish, and the market loved our product, and we were getting all the large orders. But as you mentioned, our customers were demanding net 30 or net 60 or net 90 invoices, which means that we're going to ship the product, and then we have to wait 30-plus days to get paid. Everyone told us that was just the "cost of doing business," and we didn't know any better. So we figured out that if we could get our suppliers to let us pay in 30 or 60 days, then that should all work out, right? I mean, if we're going to get paid in 30 days, but we can wait and pay our supplier in 60, everything should work. Except that net 30 doesn't mean you're going to get paid in 30 days. It's just a suggestion.

I joked with one of my customers I was going to write net pay me when you feel like it because that's really what happens. So it was going through that realization that we couldn't take the next order because we still hadn't paid our suppliers because we hadn't been paid. I'll be honest, most entrepreneurs, when you face a problem like that, your first reaction is, "Oh, my god. I messed up." That's what we thought because entrepreneurship is lonely. When something goes wrong, you think it must have been you that you made a bad negotiating point, or you made a bad decision.

But it was in talking to our suppliers that they said, “Well, no. Everyone has this problem.” Stacey and I thought, “Wait a minute. If everyone has this problem, then the existing solutions must not be very good. We could just solve our own problem.” But it's not in mine and Stacey's DNA to just solve our own problem. Instead, we said, “Okay, if we're going to solve this for ourselves, we have to develop a solution that could solve it for everyone that comes behind us.” As a result, we ended up moving into the world of payments and in fin tech, which neither of us came from.

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FT: Right. It kind of inspired your current business.

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LH: That's right.

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FT: Tell us about that.

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LH: Yeah. As we navigated this problem and sort of banged our head on the wall and wondered why we had made a decision that caused the problem to begin with, realizing that everyone else had the problem, we said to ourselves, “Well, wait a minute. Let's look at all these solutions that everyone is suggesting we should use.” So we started to look at small business loans and factoring and receivables finance and supply chain finance, all these words that had never left our mouths before because neither of us come from finance. But that was a gift because we didn't come from the world of finance, and we weren't sort of boxed in by the way things had always been done. Instead, we asked questions like, “Well, why does it work that way? Why can't I just get paid immediately?” Retailers get paid immediately every day because you hand them a credit card. They didn't have to borrow money or use these other financing tools.

That was kind of our big aha, and we said, “Wait a minute. If businesses could get paid faster and do so in a way that's not taking on loans or debt, not using financing and factoring, would that change their business?” For us, it did. It completely changed everything. So we created NOW account to help other businesses get paid immediately in a way that feels like taking a credit card. What seemed very simple to us is obviously not simple. But at the same time, if we had come out of the world of finance, I don't think we would have seen the opportunity. We saw the opportunity because we were on the demand side of the problem, and we didn't know what we didn't know, which is where all great innovations come from.

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FT: I think it also speaks to this benefit of fear, which Stacey again talked about, and I'm sure you agree that fear to Stacey as sort of a life philosophy has – She has always seen it as this legitimate emotion. We're often told to be fearless. She says that's the worst advice. Don't ignore your fears. Investigate them. See how you might be able to navigate and leverage the fear. I feel like in this in this situation, there was some fear as well as like how are we going to make ends meet? How are we going to do this? Through that was born a strategy.

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LH: Well, not only was there fear. There were very real tears. I still remember the days that I sat in my car and cried because I, in my mind, had messed something up. But I think you're right. I think that this idea that entrepreneurs love risk, and they're fearless, and they just leap off of cliffs and build the wings on the way down, the unfortunate byproduct of creating that persona for an entrepreneur is that it discourages many people who would be amazing entrepreneurs from ever giving it a shot. What I mean by that is I'm a mother. I don't have the luxury of being fearless and just sort of like living in my garage and eating macaroni and cheese because other people rely on me for sustenance, right?

Stacey cares for her parents and her family, so neither one of us would have fit that mold of entrepreneurs. Stacey often says she loves paychecks. I was a reluctant entrepreneur that really started because when I had my son and I became a mother, I wanted the flexibility to be a great mom. So I think if we could bust that myth that entrepreneurs love risk and instead say

entrepreneurs are not frozen by risk, we can look at risk. We can sort of look at it from all angles and figure out which parts we can maybe get some control over and which parts we can't. Then we're more than willing to take a calculated risk and build the wing on the way down. But we've already aggregated the materials, and we've looked at what the landing looks like. So fear is a motivator, just like there's a difference between stress, which is good and it motivates you, and distress, which is bad, and it starts to break you down.

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FT: Right. Part of why we're afraid, especially as entrepreneurs, is the uncertainty, i.e. risk, as you described. So it almost forces you if you're willing to sit with that fear and examine it, is to see what can I actually control here. Going back to the payment system you were describing, I mean, in that way, entrepreneurs can feel like they're being set up for failure. That's definitely partly what's happening. But then what are you going to do? Just allow it to lead you to failure? Or will you say, "How can I offset this somehow or change how I'm getting paid?" It almost encourages a problem solving skill that you wouldn't have other utilized.

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LH: Yeah, I think that's right. It also supports why, in my mind, having a partner in your business is so important because different things will cause fear in different people. Your fear response is different, to your point, based on sort of your subconscious analysis of what you can control. So there are things that cause me more fear than Stacey and things that cause her more fear than me. Having that partnership where you can balance each other out and sort of box in different pieces of the risk is huge.

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FT: Yeah. I'd love to talk about your philosophy in the book where you say, "The glass ceiling is not sometimes the challenge. It's that there is a sticky floor, this fight with yourself." Can you expand on that and share that insight? I thought that was really interesting.

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LH: Yeah. It's interesting because we often talk about this idea of a glass ceiling. I think sometimes the glass ceiling is certainly sort of put in place by others. But sometimes, we put it in there our self. A perfect analogy that I that I've always lived by is if I was looking out a glass window, and I see a beautiful tree in the distance, and I focus on that tree, I don't see the glass anymore, right? I mean, if I'm looking at the tree, that's what's in my focus. That's kind of like your goal in life. The minute you tell me that there's a glass window there, and I focus on the window itself, the tree is blurry.

I think a lot of times we allow ourselves to sort of question what we can do. As I mentioned before, did I make a mistake? Or, "Oh, my gosh. There's a barrier there. I can't get through it." It's almost like your acknowledgment of it strengthens it because now you're looking at it, instead of looking at your goal. So in some ways, I can remember an interviewer one time asked me what it was like dealing with the challenge of being one of only two women in aerospace engineering at Georgia Tech when I was studying. I thought it was interesting that the question was asked that way because my response was you assume it was a challenge. I choose for it to be my superpower. Meaning, yes, I was one of only two women.

But if I choose for that not to be a challenge and instead to be a differentiator, then it can be because I can tell you with great certainty that if you went back to the professors and asked of all the students from that year that they remember, I would be one of them. So I used my difference as a way to stand out and build sort of lasting relationships that I could use every time. I think sometimes how we choose to view a situation as either a challenge or a gift creates a barrier, which I call the sticky floor.

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FT: It's so empowering to think that you even have a choice. We often don't even think that that is an option. Thanks for expanding on that. Before we go, maybe sticking with this theme, Lara, you've talked about how your greatest strength is also your greatest weakness. That's kind of like what you were getting to with this idea of maybe being a woman in some context. For those who are listening, how can they use this as a tool to help them navigate these uncertain times as well, maybe working through your thought process there with seeing yourself as a female

superpower? If you're, let's say, someone listening who is disabled or is black-skinned or any other societal challenge right now, what do you say to them?

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LH: Sure. Well, I think part of why we wrote the book was to acknowledge that there are barriers and challenges and forces that hold you back that are bigger than you, right? Absolutely, there are systemic challenges that you have to overcome. That part you may not be able to control, but what you can control is how you respond to it. I think sometimes we see these challenges, and we can be so overwhelmed that we sort of fall into more of a victim mentality, which is I can't overcome it.

But what I often challenged myself to do is to say, "Okay, what is the biggest barrier? How could I turn that into an asset?" So, for example, if I'm on a panel of all older white male bankers and me, what can I do during that hour to turn the scale? Do I say something bold that sort of makes people remember me? Do I ask a question that shows insightfulness? How do I use that difference? As you mentioned, we have, for example, an amazing client, in fact, we feature her in the book, who started an apparel company for people with disabilities. She herself did not have a disability, but she saw her sister go through recovering from a surgical procedure and saw the challenges she faced. Then all of a sudden realized, "Oh, my gosh. There's a whole market that I could be helping."

I think figuring out how your biggest challenge can become your greatest asset is really empowering because it says, "Look, I can't change everything, but I can affect one thing, and that's what I'm going to do today."

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FT: Well, thank you so much. This has been such an important conversation, where going in I thought maybe we talk more about the mechanics of scale. We touched on that but more interesting I think to our audience is just how to amass the mindset, the thinking around growing and thinking around scaling, which is so foundational. Your examples illuminated them so, so

nicely. Congrats to you and Stacey on the launch of this book. Again, everybody, it's called *Level Up: Rise Above the Hidden Forces Holding Your Business Back*. Thank you.

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LH: Thank you.

[END OF INTERVIEW]

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FT: To learn more about Lara Hodgson, visit nowcorp.com. That's the name of her company. Her book, again, with Stacey Abrams is called *Level Up*. I'll see you back here on Wednesday. In the meantime, I hope your day is So Money.

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