

EPISODE 559

[INTRODUCTION]

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FT: You're listening to So Money everyone. Welcome back, I'm your host Farnoosh Torabi. Our guest today is pretty accomplished, just a little bit. He has five Ivy League degrees including a PhD in astrophysics. He's led seminars in leadership, entrepreneurship and sales at Harvard, Princeton, and MIT. He has studied under a Nobel Prize winner. He's helped build an X-ray observational satellite for NASA, he's got six patents.

This guy, let me tell you, his name is Joshua Spodek. He's our So Money guest today. He serves currently as an adjunct professor at NYU as well as a leadership coach and workshop leader at the Columbia business school. He's also a columnist for Inc. Magazine, founder of Spodek Academy, and he's out with a new book called *Leadership, Step by Step: Become the person others follow*.

The topic of the day is leadership. Some are born leaders and Josh believes you can teach leadership but it has to be something that you rehearse and it is not something you will learn in business school he can speak to that. We also talk about the difference between managing and leading. Just because you become a manager doesn't mean you're automatically a leader. And then there was that time when Josh was asked to step down as the leader of a company he founded. It was a wakeup call and also an inspiring moment for his work today.

Here is Josh Spodek.

[INTERVIEW]

[0:02:06.4]

FT: Joshua Spodek, welcome to So Money. You run a very busy schedule, so making time for us, we're very privileged so thank you for being here.

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JS: Not at all, I'm glad to be here, yeah.

[0:02:16.8]

FT: Your latest book, is this your first book? I can't believe it's only your first book.

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JS: This is my first book with a publisher. I self-published two books before but I didn't put much — they were really because I write a lot of blog stuff so I combined some blog entries into some important ideas. But this one is properly edited and I went through a book proposal and all the stuff so it's really much more comprehensive.

[0:02:37.9]

FT: Right. the book is called *Leadership, Step by Step*. As Daniel Pink mentioned on the book cover, this is really a book that's going to help leaders bridge the gap between education and experience and you speak from your own personal experience. You have a lot of education, five Ivy League degrees, but what you found in your personal life was that being a leader is not just about being able to understand what a leader should do but it's actually getting a hold of your emotions.

This is a book that's really driven by kind of behavioral psychology. Tell us something about kind of the genesis for the book and why it was so needed.

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JS: Yeah, well, there's so much I can comment on. I guess on the last part, why I felt it was so needed is that I first learned about that you can learn leadership in business school and there were leadership classes there and before that, like many people I'm sure, a lot of people think

you're born a leader or you're not. I would look at Martin Luther King and he's saying "I have a dream". I couldn't imagine myself doing that so I thought, "He must have been born with something that I wasn't."

So I learned a lot in those classes and felt great about it but then I found out after school, I would go out into leadership situations and I'd find myself unable to do what I'd learned what I was supposed to do. That's what happens when a skill or set of skills is active and social and emotional and performance based. If you don't practice and rehearse, you don't have the skill and just knowing theory doesn't help you negotiate a contract or get higher or make a deal or something like that. You have to practice.

So I got the MBA about 10 years ago and about five years ago is when I started realizing that how you teach active fields like leadership, it's as important as what you teach. You can't lecture someone into integrity, you can't read enough to get self-awareness, you have to — I borrowed from other fields, how we teach acting or how to play musical instrument. We give you basics that you practice and you rehearse, and rehearse, and when you master one level, you move up to the next level. I use that technique, that pedagogy I guess you could say, instead of lecture and traditional academic intellectual learning.

Over the past five years, I've been refining that and a lot of that has been, I've been teaching at NYU and a little bit at Columbia and have my own courses online. Once I started seeing how it work then, you know, you feel compelled. All the entrepreneurs know this feeling of when you just feel like there's this problem at the world and I see how to solve it, I can't believe no one's done it before but I must bring it out there. That's kind of how I feel these days.

The course I teach in leadership begins with — there are four units and the first unit is understanding yourself and that's a lot of solo stuff. It's writing and reflecting on how your mind works and things like internal stuff. You do that for a while and you get comfortable with what you're doing and if it's in person, then you get comfortable with your classmates, if it's online then you get comfortable with the people who are also on the forum and after a while, you start feeling more comfortable.

For example, there is one exercise which is to write your inner monologue. So it's to write down the voice that's inside your head. On my blog, I call this the most effective self-awareness exercise that I know because it's very effective. You start to see how your mind processes your words and that leads you to see how your beliefs affects your perception.

Much later in the course, I have an exercise called authentic voice and the authentic voice exercise is to speak that verbally out loud to say your inner monologue as it comes through your head. Much harder, and if I started with that exercise, it would be very difficult. But because I start with other exercises and build up to it, it's easier.

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FT: Right, building self-awareness is key. You also talk about managing your emotions. How do you do that? I think intellectually we know how to do it but when you're in the moment and you're upset or you're feeling rage. How do you actually manage that and continue to be seen as a leader, as opposed to somebody who is being reactive or stubborn?

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JS: The way I look at emotions is that emotions are a large part of our motivations. A leader works with motivations. If you want to motivate people, including yourself. You're working with people's emotions, you're working with their motivations.

The way I look at it is that, a carpenter works with saws and hammers and tools on wood and a mechanic works with tools on a car and a leader works with emotions on people. That's the tools of our trade. So I do a lot of these exercises that build up your awareness of emotion so that they become what you work with with people.

A lot of listening exercises get you to identify what's motivating other people and ultimately, what I try to do is to give people the ability to behave and communicate it in ways that other people share their motivations, their emotions. Because most of us, if I share to you what I care about, that makes me vulnerable. So most people protect their motivations, they don't share, they hide these things.

As a leader, if you don't behave in ways that people share with their emotions are with you, it's difficult to lead them, you can manage them, you can tell them if you do this I'll give you bonus, if you don't then I'll fire you and that will guide people's behavior but it won't inspire them. It won't get them really to love doing stuff for you.

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FT: You said something really, for me, that really just popped out, which is there's managing and then there's leading. Sometimes we think they're the same thing. They're absolutely not. Differentiate those two for me, because I feel like sometimes we assume, "Well we're in a management position, we are effectively leading." It's two different skill sets, right?

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JS: To me, the big difference is that a manager works with external incentives and will guide people. The usual things are you give bonuses if they do well, you give demotions if they don't do well. Maybe they can get perks or a corner office if they do well, things like that. That will guide people to move in a certain direction. It won't get them to do things that they weren't going to do otherwise.

Leaders work with emotions. They can get people, like if you and I are working at a small company and everyone has to do a bit of everything and you've never done sales before. For most people, there's no amount of management that will make you effective at selling. I mean, some people really love selling from the start but most are scared of it.

If however I can get you to feel a strong sense of ownership of the company and feel vested in the success of the company, then I can get you to want to do selling because it's your passion because it's part of the vision that I've gotten you to feel a part of. It keeps things feel. you're' feeling emotions. I can tell you, I'll pay you a huge amount of money if you sit and got and sell this stuff. A lot of people, they won't really respond to it or it would be difficult. But if I get you to feel this project is your project, you'll want to do it for your own reasons, internally.

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FT: To be an effective leader, you want to — it's really about empowering your team, your employees.

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JS: Yeah, it does feel empowering. If someone's listening to you and me right now, they probably really care about what they do. They care about getting ahead, about being successful, they care about having and living a life that they really enjoy. That means people around them probably do too. You probably are surrounded by people who worked hard to get where they are. That means they already have strong motivations to do what the company does or to be a part of the team that you're on also.

Those emotions and those motivations are already there. If you try to motivate someone with different emotions than the ones that got them there, it often makes them feel like not understood. Like, "I came here because I really want to do X and you're telling me to do Y. That doesn't feel right but if you can get them to share what they really want to do and they can feel comfortable despite what used to feel like vulnerability. It's more like, I like to think of it as more like unleashed or liberated to do what they really wanted to do without those protection.

[0:10:20.1]

FT: Well let's talk about you Josh a little bit. I mean, I was first when I came across your bio, I was blown away. I'm sure you've heard this before and sometimes you can't even believe what your bio says. But five Ivy League degrees, a PhD in astrophysics, you've led seminars in leadership, entrepreneurship, and sales at Harvard, Princeton, MIT, you've studied under a Nobel Prize winner.

When you were first starting out in your academic life, was it always the ambition to achieve so much? Were you just so interested in the world or did one thing lead to another?

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JS: In college, I decided I was going to major in physics. Up until then, I did well in science and math but it was shall we say, picked on, made fun of a bit in high school and so I shied away from those things to try not be as geeky as I obviously was to everyone and eventually I said, “You know what? I love this stuff, step it up.”

When I went into graduate school to get the PhD, I just figured, there’s Galileo and Newton and Einstein and soon it will be Spodek. I still love physics but the life of a researcher is not — I didn’t really like. Becoming an entrepreneur and starting my first company or cofounding a company was an escape for me at first and then became a passion for me. I had no idea how much I would love it. I really, it was just the only alternative I had available to other options that I didn’t really like.

I guess I never bought into the idea that you should work at a company from the ground up and get your gold watch after 50 years. Another big thing, I don’t usually talk about this because most of the — you’re more money focused. We haven’t talked about it so far but I’ve always felt you get a lot more freedom from spending less than by making more. After living so long as a graduate student, I was able to not spend that much and that gave me a lot of freedom to lots of different things.

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FT: That is an interesting perspective and let’s talk about money. I mean, I think we talk often on this show about how earning more can be for many people, a way to experience financial freedom. With so many rising costs between housing and education and even just a gallon of milk, it’s sometimes not really about saving, it’s really about what you’re making to be able to afford the basic necessities.

That’s an interesting perspective you have, I think probably because you had that graduate school experience. You are what you experience, you believe what you experience.

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JS: I know a lot of people who make a lot of money but their cost go up with the amount of money and the amount of freedom in their life doesn't increase and they're just caught up in a different cycle. I guess they have, I don't know, they go to nicer restaurants and they have bigger apartments.

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FT: Well right, it's not how much you make, it's really how you manage the money, right? I would argue that if you make a lot more money, you can't start spending more, you have to actually save more to feel the benefit. When you have to kind of think about your overall financial philosophy Josh.

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JS: It's been very clear, when I got the MBA, I looked at what my costs were, I figured out what's the minimum I need to make so that I can pay all my bills on time, have a little bit of cushion and then the rest of my time, I want to do whatever I want.

So by the time, *4-Hour Workweek* came out, I thought, "Oh, that was interesting," and I calculated it and I was working about eight hours a week at the time and so I was like, "Four hours, eight hours, pretty close, I don't really need to change much."

I really liked that. I mean, I know that people who got the MBA at the same time as I did, I know a lot of them probably made signing bonus that was years' worth of my salary but I don't know anyone who loves their life more than I love mine.

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FT: Well, how have you designed your life? Talk a little bit about that, I'd like to bring that to life a little bit. How do you prioritize your spending?

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JS: I guess, I mean, there are certain base things that I can't really do much about. So my mortgage, and it's not a mortgage but some maintenance for the building I live in and then food and then I guess it depends on where I am in the stage because usually I'm working on an entrepreneurial venture and over the years, I have worked on a different one. So at the beginning, it would be on some salaries for people, sometimes when we would hire people.

Like my first company, we got millions of dollars with investments and so all the money is coming out of there but ever since I have always been self-funded. Right now with the book coming out and with the courses coming out, I am doing a lot. I am putting a lot into building my online presence. So building the website, building the sales funnel and things like that. That's basically it. It's basically putting money into my business and paying for my personal life.

And then the rest, I usually adjust my hours so that I get to do what I want. Some of that is travel, some of that is leisure, some of that is personal development and things like that. I want to make sure that I have a year, if I ever need to go for a year without pay I can do that and then that gives me a cushion that I don't really worry about money. I just make sure that I am making enough to pay the bill.

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FT: What was your exposure to money growing up as a kid? I often ask guests about their biggest money memory.

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JS: Yeah, money was something that was, we didn't make a big deal out of it in growing up. My dad is a history professor and had tenure so that was a very stable life that he had. My mom, after — they got divorced when I was very young and there was a big contract that my mom suddenly was living with friends and we went back and forth. My two sisters and I went back and forth between houses, three days at one, four days at the other. Four days at one, three days at the other.

Suddenly my dad's house was very stable. My mom was living with friends and we lived for a while in a very economically depressed neighborhood with lots of crime and broken glass all over the street and stuff like that. She had a lot of independence that she was able to make her way back to stability and I didn't think about it at the time but it did give me a feeling of that you can make it back if you work hard and you don't have to be dependent on things. That she worked her way back up, that gave me the feeling of independence.

Meanwhile on my dad's side, there was some inheritance from my grandparents that it became like I don't know if it's too personal but came a feeling of resentment from me to him because I felt like he was controlling money that wasn't his to control but I wasn't yet 18 so I didn't really like that. It felt like money was a tool to control me.

Maybe that's why I had looked at, and think about this but it seems obvious now that why I looked at money as something that, how do I put it — my strategy was to create freedom. I do associate money coming from other people as somewhat controlling.

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FT: Being an entrepreneur and making your own money is more liberating. It can be more liberating.

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JS: Yes, pretty much.

[0:16:39.4]

FT: I've had guest on the show who have talked about how education for them was a source of, in some ways, security. Because no matter what is happening in the external world, if you have your education, you can do anything. How has education served you in your financial life?

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JS: It's funny because I don't actually, I very rarely use my physics. I don't use graduate level physics in most stuff that I do and for that matter, the MBA, I went to Columbia and it's very finance. It's close to Wall Street and very McKenzie. On the other hand, see I have this strong sense of I'm not going to go long without a job if I ever had to make money and so I feel very confident that you can take away a lot of things, but you will never take away that I have those degree.

It's the same socially, I never feel like someone is going to think I'm stupid. I can ask questions that I think other people can't ask because no one says, "That was a dumb question, therefore you're dumb when the person has a PhD in physics and just take them for granted that you can solve high problem. It's given me a lot of confidence even though I haven't actually used what I learned that much.

In fact, these courses that I have created if I can go back in time and I knew that these courses were available and what they offered, I would take my courses instead of going to business school because I think that they gave me all that I needed. I don't need to know capital market stuff for what I do.

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FT: But in some ways you had to go to the academic route that you did to discover what you've now discovered about leadership in some ways, right?

[0:18:05.6]

JS: Oh for sure, yeah. There's no way that I could learned it otherwise. I mean if I could go back in time, I would do things differently. But if I lost my memory going back in time, I'd have to do everything the same. Yeah, it was as much as I think I've improved on things that I learned a certain way. That's the way I learned it and I don't regret it.

[0:18:25.7]

FT: What would you say was your biggest financial lesson learned? I don't know if you ever had a failure, if you had one please let us know. We'd like to talk about failure on the show but something.

[0:18:37.3]

JS: Yeah, you like to hear me cry?

[0:18:38.4]

FT: Yeah, sure.

[0:18:40.7]

JS: When I first started my first company, Submedia, I just thought, "This is going to be easy. This is going to be fun. There's going to be some challenges in building the first prototypes because there is a lot of engineering and machining and stuff like that." It was the recession in the early 2000's. I had the idea in '96, applied for the first patent in '98, got our first funding in '99, went live in 2001 and then by 2003, we had completely ran out of money and no one forced us into bankruptcy but we weren't going to make it.

It was post 9/11 and we weren't part of the ".com boom" but we still got hit with the lack of access to funds afterwards and we were in advertising and our clients just completely disappeared. So I didn't know what to do. At the time I thought I look at things like a scientist. I looked at people like tools that I can use and I don't think that they really liked that so I just lost control. Ultimately, the investor said, "We'll put some money back in to keep this company alive but Josh you have to sign this form. You can't be CEO anymore."

And I lost a lot of equity and I lost being the manager of the company and I had a board seat but there wasn't a whole lot that I can do and so I was out of my own company. People talk about failure so much and I rarely hear people talk about the feelings of how desolate it is and everyone was so rah-rah when everything is going well and then when it's not going well, people are just making sure that they could get what they could before it was gone.

[0:20:08.9]

FT: I think I recall reading about that on your blog and you walked away from that experience internalizing it and realizing something about yourself, which was I think this was the experience that taught you that you really needed to be more in tuned to your emotions and also how you come across to others.

[0:20:29.0]

JS: Yeah, I was coming across authoritarian and I was like, “Okay, here’s what we’re going to do. Everyone, we’re going to pull through this and here’s what we need to do. You do this and then you do that and you do this and you do that.” I don’t think people really liked being told what to do when the company is barely surviving. I think that they probably looked at that situation and said, “Here’s this guy...”

I was about 30 years old at the time and some of them were significantly older and they’ve been through recessions before. I’m sure they are thinking, “This guy doesn’t know what he’s doing and we’ve got to start looking for work elsewhere.” It was only much later that I had the humility, I am not claiming to be a particularly humble person. I could gain a lot in that area but that I could look back and see that looking at people like tools is not effective.

[0:21:09.3]

FT: Well what is something that you do now with your finances every single day, Josh? You seem like a man who figures out the framework well for a lot of aspects in your life. When it comes to your financial framework, what is a habit, a practice that you have?

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JS: I have to say it’s really keeping the budget tight and it’s not something that I do specifically to sit down and do it. It’s not that I keep track of everything like I have my accounting sheets out and make sure. In business I will do that but for my own personal stuff, I just make sure that I

am spending only on essential things. When people come over they're like, "You have a very minimalist lifestyle." But I don't think of it that way. I think I have more stuff than I need because I keep it to the essentials.

To me that is a matter of understanding my priorities and living by values and I find that by not buying unnecessary things that it makes my life more, I think of it in engineering terms, the signal to noise ratio is much higher. I have more stuff that I value and less stuff that I don't value and so my life is more full of value and more full of meaning.

[0:22:13.5]

FT: Right, it's spending in alignment with what's important to you and what's important to you is not important to the people coming over your house and pointing out that you have less stuff than them.

[0:22:26.0]

JS: Look, I'm in my apartment now and I look over and I see a set of kettle bells and I have a rowing machine.

[0:22:32.3]

FT: And that's your gym.

[0:22:33.3]

JS: Exactly, that's my gym. I don't need anything else. I do a lot of body weight stuff. The gym is maybe a couple hundred yards away from me. But if I join that gym, I know that on the rainy days I'm going to tell myself, "I don't feel like going out in the rain." But I can't do that here. I have everything that I need right here. I make friends with people who I learn all these kettle bell stuff not that kettle bells are the most amazing thing.

But if I can learn from there how to get really effective exercise from them and that's all I need and then I can do other things with my time that I wouldn't do otherwise. My nephew just had his Bar mitzvah and I got him a set of kettle bells and I think that he got that it was very meaningful because it's one of the few things I have that he's like, "Oh now I have mine too," and so I think that meaning, it translates into not just how I feel about myself but how I relate with other people.

[0:23:20.6]

FT: I agree. I think before you can really spend your money wisely you have to know it yourself. It's hard though sometimes to tune out your other external factors, pressures and noises but that's why it's not easy. So Josh thank you so much for stopping by and everyone, the book is called *Leadership, Step by Step: Become the person others follow*. Good luck to you and thanks for sharing your story with us.

[0:23:42.5]

JS: Thank you. You asked question that got me really thinking a lot and I appreciate that.

[0:23:47.3]

FT: Put you on the spot, that's my job.

[END]