

EPISODE 1120

“RH: I think what a recession does and why this is such a great time, it gives you clarity of focus. When things are going good and money's cheap – When we started Shark Tank, you couldn't get a bank loan. And if you could, it wasn't going to be very big. So you had to be right. And one of the biggest problems with most entrepreneurs is they chase unlimited opportunity.”

[INTRODUCTION]

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FT: Welcome to So Money everybody. I'm your host, Farnoosh Torabi. It might be a familiar sound. That's the voice of Robert Herjavec. If you watch Shark tank, you know who Robert is. He's the founder and the CEO of Herjavec Group and a leading shark on ABC's Shark Tank. Really excited to unveil our interview. Robert was born in Eastern Europe. He arrived in North America on a boat with his parents after escaping communism in the former Yugoslavia. He delivered newspapers, waited tables and then he launched a computer company from his basement, and that is what launched his financial life and his entrepreneurial career.

In 2003 he founded Herjavec Group. It quickly became one of North America's fastest growing technology companies. Robert and I discussed the future of business and work and what are some opportunities for entrepreneurs who want to launch something relevant, new and long-lasting in this recession. And how is he so nice, right? I watch Shark Tank. He's definitely the most even-keeled, consistently kind shark, I'd have to say, I think. So we talk about how he is, who he is.

Now what's interesting is before we started the interview, I hit record, you're going to hear our preamble talking about how Robert was having a little bit of a challenge with technology. Ironically, obviously where he works the security level is very high. So the recording link that I sent him was not something that he could just jump on to. And so there was a little bit of a delay in us connecting, but we had a good laugh about it. And you don't want to miss the rest of the conversation.

Here is Robert Herjavec.

[INTERVIEW]

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RH: You assume everybody has multiple browsers.

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FT: It's the pandemic. We've accelerated technology, haven't we?

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RH: Yes. Yes. We have nothing else to do.

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FT: I know. Well, listen, I just hit record because I know um it's Friday and we want to probably – It's beautiful here. I'm in on the East Coast.

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RH: Where are you?

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FT: I just moved to New Jersey, actually from the city, from New York City. I'm really liking it. How about you?

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RH: I'm in Hidden Hills, which is just north of LA in Calabasas. But the weather is great where you are today, isn't it?

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FT: It is, for a change. Yeah.

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RH: Do you think that this exodus from New York, Manhattan is real?

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FT: I think that for families who have means, yes. I think what we're seeing – I just look at sort of who I know who has left families with multiple kids. The city is just not friendly for families right now. It's not. It never really was, to be honest. I mean we wanted to move pre-pandemic simply because with our kids, and it was just logistically – It wasn't fun getting around the city anymore for various reasons. Subway breakdowns, our buildings, elevator was always broken. It was like the little things, the stresses of the day-to-day. And now that's compounded of course. I don't see how you can kind of relocate your whole family and start school and get settled and then go, “Oh, maybe we should go back to New York after a year.” I think that people are kind of finding a new life elsewhere. And at first it was probably really scary and they felt maybe they were giving up on New York and there was a bit of like guilt around that. But now I think people are really loving like the suburban life, the space, the pools.

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RH: I agree with you. I think what I'm finding is, and you said it really well, all my friends with families and means have left Manhattan. And they went through a phase of, “Oh, am I giving it up? My commute is – Once the office opens up again, my commute is going to be horrible again and we'll go back.” But I think the general sense now is that part of work may never come back again. The idea of going back in. I mean we run a company with 350 employees. I've seen maybe one or two people from my company since February. And I never would have thought that.

And I know we're talking about Bake Me a Wish, but I got to tell you, that's how I got involved with them, because when the pandemic first happened, there was a little bit of shell shock and everybody went home. Everybody worked from home and they were all like, “Oh, we may not

survive.” And I felt the communications level and the connectivity was really hot. We're on Zoom calls every day. How you doing? But I think as time went on, it began to fray at the seams. People, nice day, they're going to go outside. And I think what we've struggled with work-wise is how do I stay connected to 350 people that I don't see in the office anymore? And I may never see in the office again. I mean we'll get together once this is all over, but it's the new dynamic we think.

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FT: And of course as we approach the holidays, this is the season where for many companies it's kind of the time to celebrate and band together. And it's going to be very different this year. So tell us about your partnership with Bake Me a Wish. I've been recording this whole time. So it's all good. I love this conversation. So tell me a little bit about why you wanted to team up with them and a little bit about – Also, if you're struggling as an employer, how do you make the space, the financial space to gift this year?

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RH: Well, I think we are like many small or smaller-larger businesses or even larger businesses. What we're struggling with is once we realized we weren't going to go away and the world wasn't going to end. So I think we're in the fortunate set of companies that are surviving and trying to grow and we see a light at the end of the tunnel, wherever that title ends. But by far and away my biggest challenge is staying connected to our employees, because they're physically not here. And Zoom was cute for a while, but after a while, 20 zoom calls a day becomes really hard. And to your point, especially with the holidays coming up, because normally we do like a little holiday party, take people for lunch and just show your gratitude, because especially in our industry, but I think it applies to all industries, your greatest asset is your people by far and away.

In tech, we don't make anything. We sell services. We provide consulting. It's our people and we need highly connected, empowered, energized people. And so we're looking for a way to simply give back, make a connection and show our gratitude to them. And the problem is how do you do that? Do I send them another Starbucks gift certificate? How do I make them feel special? And so our team found Bake Me a Wish, and we loved it. They sent me one to say –

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FT: I got one. I got a couple things. Giant gifts, Robert. I've been freezing the goodies, because I'm like, "This is going to last me through the 2021 and 2022 calendar year."

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RH: Well, Farnoosh, the first thing I noticed when I got it is it was substantial. Do you know what I mean? It wasn't like a little card I got that I ran out and said, "Oh, honey. Look, I got a five dollar Starbucks card or something." So that's the first thing that I notice, but the other thing to your point is engage my family. And I think in this time, I appreciate our employees and the work that they do, but I appreciate their families for giving them the space and making the time. Because if we've learned anything during the pandemic, is the family unit is even more important. And there's so many people working from home.

So anyway, I love those things about it, and we got involved because I think it can be a real competitive edge not just for employees, but for customers.

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FT: And I understand that a percentage of all purchases go to help small businesses through Bake Me a Wish. Tell us about that.

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RH: Yeah. Through the rest of the year, five percent of all the orders go to the business empowerment fund in order to help small businesses, because I think that those are the businesses that are really struggling. As you well know, since the pandemic started, we've been doing a lot of work with small businesses, with doing some Instagram feeds and just talking to even our own Shark Tank investments. Just trying to help people through it. I mean, this is scary.

I remember when this first started, I was watching CNBC, and one of the big analysts said we might be entering hell. And then a couple of minutes later I was on CNBC doing an interview and they said, "What do you think about the economic climate?" And I said, "We're in hell." And when you're in a deep, dark place like that, you just got to get through it. Now the

fortunate thing is I think we know a little bit about what the world's going to look like, and there's some level of certainty. And so we got to get back to growing our business. We got to get back to appreciating our people. And basically we just got to get back to work. And with the holidays coming, we have to find a way to show gratitude, be compassionate to our team and just show them that they're appreciated.

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FT: Switching gears, you mentioned Shark Tank. I would love to get your sense of what are some of the opportunities for entrepreneurs right now, if people are thinking of starting a business. As we know in the last recession, so many incredible businesses were born out of almost like the necessity entrepreneur economy. People had to start businesses because there weren't jobs. But now that's repeating to some extent, but I think we've also learned that a recession is a great time to start a business. What do you think are some opportunities, advice for listeners who may want to dip their toes into entrepreneurship?

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RH: Yeah, Farnoosh, thanks for that question. I was thinking about this yesterday, and I probably started four or five substantial businesses in my life. And as it turns out, I started every one of them in a recession. And knock on wood, pat on the back, they've all been pretty successful. And so I was thinking about that. Like I didn't plan to. There was a recession and I had to start a business. And I think what a recession does and why this is such a great time, it gives you clarity of focus. When things are going good and money's cheap – When we started Shark Tank, you couldn't get a bank loan. And if you could, it wasn't going to be very big. So you had to be right.

And one of the biggest problems with most entrepreneurs is they chase unlimited opportunity and they wake up every day, it's almost the opposite of what you think, is people say, “Oh, you should find opportunity.” There're tons of opportunity in the world, you have to find the one opportunity that works for you and execute on it. And one of the weaknesses I see in so many entrepreneurs, and we see this on Shark Tank, is one day they're doing this and then somebody tells them, “Oh, you should get into this part of your business.” And now they're selling online and then they want to open up retail and then they're like, “Oh, we should do a catalog.” A recession gives you that clarity of focus, because resources, including money, are limited. So you got to make sure it works. And I think that's a real benefit during this time.

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FT: It used to be that the big risks, the risk lenses through which we would look at businesses or startup ideas was is it recession proof? Now we're like is it pandemic proof? What's the next lens? It's like the unknown, right? Is it global warming proof? Is it cyber warfare proof? Looking ahead, what should businesses be thinking about in terms of shielding themselves from these external factors that we don't control?

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RH: That's a great question. I look at it slightly differently. I think what the pandemic has taught me, and we talk about this with the other sharks and some other business leaders, it's taught me two things really. The first one is, is the level of survival in my business strong? Because pre-pandemic we made some assumptions that we thought were set in stone. Meaning customers would always buy. There'd be bad quarters. So you planned on a 20% dip in one quarter, or God forbid, you go down by 30% in a quarter or you don't grow by 4%. But there was no business plan for nobody buy.

When the pandemic first started my CFO and I came up with a black swan plan, that was we would get no new customers. None of our existing customers would pay us. How long would we survive? So nobody plans for that. So the first thing we've learned is what is the survivability of your business regardless of the macro conditions? Whether it's a pandemic, a cyber war, anything like that? That's the first part.

The second part though is it's the connection with the customer that carries the day. Great businesses connect with their customers in whatever the media happens to be. And great businesses pivot. So I look at a business like Canada Goose. Canada Goose is an incredible brand. People love their product. They love those jackets. I don't know if you know them, but they're these winter jackets.

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FT: Yes. Living in New York, you see starting around thanksgiving the line wrapping around the block in SoHo. It's an exquisitely run business, I have to say. The people inside, they've got

their iPads. They let people in one by one or two by one. And so I think what they're doing really is creating the sense of scarcity. And frankly, if you're going to wait in line for an hour, by the time you get inside, you're probably going to buy something, because you want to make your time worth it. I have to believe that's intentional, the fact that they make you wait so long.

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RH: I think you said that really well. And but what they've done is they've transgressed the functionality of the product, i.e., a winter jacket into a brand that conjurer's up more than just a jacket. I mean you're not buying the jacket because it's one of the warmest coats in the world. You're buying it because it's Canada Goose and there's a brand. It makes you feel a certain way.

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FT: It's like getting a BMW. Especially in cities like New York where you don't drive, what you wear is basically your status symbol.

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RH: Very much, and invokes that in motion. And they've been able to turn that online. It's the same thing online. I mean they have limited runs and people log on and see if it's available. So that business has done very well through that pivot. And what we've seen on Shark Tank is basically the same thing. Many people thought that this year, "Oh, it's COVID. You're going to see nothing but high-tech businesses." Some of the most successful businesses we had was a lady that started a jigsaw puzzle company. Very low-tech, but she did it in a very creative way.

We had another lady that came on that had like these candles that you can use to massage and stuff that made you feel really good to relieve stress. They were killing it. But I think the commonality is the connection with the customer.

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FT: Yeah. Some things just will always endure, and we're finding now more than ever in a pandemic home all the time that going back to basics, going back to the good old ways,

sometimes those things endure. The board games that we grew up with, they're the ones that are flying off the shelves, right? Can you speak to that a little bit like in terms of when you're trying to come up with the idea, sometimes it is about recreating the wheel a little bit, something that already exists.

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RH: Yeah. I think that what we've learned during the pandemic – I mean certain trends got accelerated; remote work from home, digital transformation at the enterprise level, all of those things. But to your point, we've gone back in so many ways in anything that brings the family together. Things we can do from home. And I think what it goes to is it's very difficult to start a business in order to take advantage of an existing trend. And I always think of the old quote from Wayne Gretzky, people said, “Oh, why are you such a great hockey player?” And he said, “I don't skate to where the puck is. I skate to where the puck is going to be.” And I think that really holds true. I think if the lady that started the jigsaw puzzle company didn't start a jigsaw puzzle company and fall in love with jigsaw puzzles because of the pandemic. She loved jigsaw puzzles and she did jigsaw puzzles. She was deeply passionate about it. The pandemic simply afforded her a vehicle to take her passion and bring it to consumers.

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FT: On Shark Tank, Robert, you're not the “Mr. Nice guy” at least from a branding standpoint, but you are I think the nicest on the panel. And there is a misnomer that you can't be nice in business, and yet you I think have busted that myth. So how did you become you? I mean, were you always sort of having this perspective on things? This nice kind approach? Did you learn this? Because I think some of us have it and some of us have to practice it, sort of practice like being kind and remembering to be generous. It's not natural in us, especially when it comes to business when the stakes can be high, emotions can run high. You may say things that you don't mean. But I mean there are books on how to be nice in business. So clearly, this is something people need to learn. You seem to have this in your DNA. So tell us about where that comes from.

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RH: Yeah, thank you. I always caution people when they say that to me. It's not a very high bar on Shark Tank to be the nice one. I think that Kevin's done a great job of branding himself as Mr. Wonderful and so on. But I think it's I always try to put myself in the position of the other person. And it goes back to partly being an immigrant and coming to this country and my mom and dad always instilling that in me and this whole idea that you're as good as anybody else, and you're no better than anybody else, and no one's better than you. And you've just got to always be kind and look out the other way.

I think most people that aren't in business think you have to be a jerk to be in business. And what I had to learn, because I am a pretty nice guy naturally, I have to learn to stand up for myself. I think we all lean one way or another. Kevin is probably naturally a little meaner than not. And I'm probably a little too nice than not. But being kind doesn't mean being a pushover. And being firm doesn't have to mean being a jerk about it. And I think that's the biggest fallacy of my friends who aren't in business. They say to me, "Oh, I would never be good at business because I can't be a jerk, or I can't be this." And I'm like, "You don't have to be a jerk. You just have to be honest with people and you have to be empathetic." But to your point, I think most people think that's how business works. They have this image or fallacy of somebody sitting there, smoking a cigar in a three-piece suit yelling at people. It just doesn't work, especially in this day and age where business is so competitive.

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FT: And I wonder if it has anything to do with the fact that we often talk about business in the context of money. And in our culture, the pursuit of money is also branded as something that is not necessarily virtuous.

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RH: It's so funny you say that, because I'm an immigrant, and my parents would talk with their friends about everything, like everything, "Oh! Your cousin's doing this with so and so." And I mean the most uncomfortable conversations. And then I'd go home and I'd say, "Oh, so-and-so is an architect. What kind of money does he make?" And my dad would say, "Don't you talk about that. No!" And I think it's cultural, like, "Oh, money, shouldn't talk about that."

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FT: What's your number one money lesson growing up as a kid? I always ask my guests. I like to hear about their childhood experiences with money. Something that has stood out.

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RH: You can spend your way to poverty, but you can't save yourself to wealth.

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FT: What do you mean by that?

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RH: So my dad was a blue collar guy, worked in a factory, and we did okay. He paid off his house one day. We had enough food to eat. We had a little bit of savings, but we were never rich. If you want to get wealthy in life or really get ahead, you've got to start a business. You have to have financial literacy. And you have to know how money works. And my dad didn't. But he saved. So if you work hard and you save money, you'll be fine in life, but you'll never get wealthy.

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FT: Is this a philosophy that you embraced early on in your career? Or is it now in hindsight you look back and you're like, "That's the thing." Or if you did have that mentality early on, how did you learn that? That's great. I wish everybody knew that starting out.

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RH: Well, first of all, my dad worked harder than any other human being I've ever met in my life then or since even to this day. I work hard, because I love what I do. I'll never work as hard as that man worked. But I remember I was 16 and I started thinking about buying a house, because we didn't have very nice homes and we weren't well-off. And I remember calculating the amount of money I needed for a down payment. And then after my tax rate, I started figuring out you know how much that is. And I remember thinking how in the world am I ever

going to save that kind of money starting from zero? I was like, "I won't be able to afford a home until my 40s." And so that really hit me and I said, "Well, my dad works so hard. How is he ever going to get ahead?" It really, really hit me hard, which is one of the drivers of wanting to start a business.

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FT: Is there a business that you've invested in through Shark Tank that has really just been a home run for you? There's, at this point, season 12. You probably have to think a bit on this one. But is there a standout, and if so, why?

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RH: We've been lucky, because we've had a few standouts early on today. I mean I think my longest running standout is probably Topsy Elves. And on that same level, we've had Sand Cloud. Most recently, from last season, a company called Bad Birdie. I think the commonality what we found is to our earlier point, the connection with the customer. Topsy Elves made inappropriate ugly Christmas sweaters. That's what they started with. We now make ski suits and other sweaters and St. Patrick's Day t-shirts, but the commonality is fun, and the way they make you feel. So they've been able to take that connection with their client and create an entire portfolio of products around it. Anybody has a strong connection with their customer in the long run will do well.

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FT: Well, I like that. That's a great reminder as we head into the holidays, and we're reminded of the importance of connecting, socially distant safely for now, but hopefully we'll be back to a world where we can high-five each other, at least. Thank you so much. And everybody, if you want to check out Bake Me a Wish, you want to go to this website, bakemeowish.com/ business.

Robert, thanks so much and good luck with the next season of Shark Tank.

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RH: Oh, thank you very much.

[END]