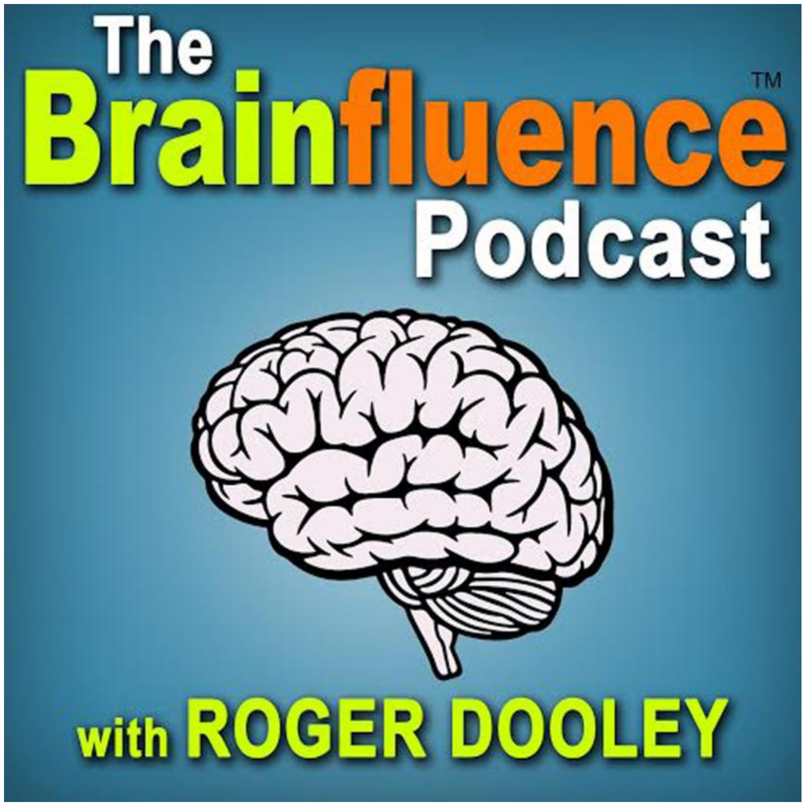
Ep #107: The Unexpectedly Smart Way to Become an Entrepreneur



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Welcome to *The Brainfluence Podcast* with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger Dooley: Welcome to *The Brainfluence Podcast*. I'm Roger Dooley. Our guest this week is a writer and venture capitalist, not to mention a serious travel fanatic. His claim to fame that will probably resonate most with our listeners is that he's credited with popularizing the term FOMO, F-O-M-O, fear of missing out.

His new book is *The 10% Entrepreneur: Live Your Startup Dream Without Quitting Your Day Job*. Welcome to the show, Patrick McGinnis.

Patrick McGinnis: Thank you, Roger. Good to be here.

Roger Dooley: Patrick, most of our listeners are interested in applying psychology and brain science to marketing so I guess almost every one of them has run across the term "fear of missing out" which is frequently abbreviated to FOMO which I guess is an indication of how popular it's become.

I sort of assumed that this had evolved organically overtime but according to *Boston Magazine*, you can claim some of the credit for that. What's the story on that?

Patrick McGinnis: It's kind of an amazing story. It was a term that I discovered among my friends actually when I was an MBA student at Harvard Business School in 2003-2004. We used it all the time. We used FOMO and FOBO, fear of a better option, which is sort of like the opposite. Fear of missing out is the idea that you want to be everywhere at once. Fear of a better option is the idea that you sort of like don't commit to anything until the last minute so you have all your options on the table.

HBS is a hotbed of FOMO and FOBO because you have a bunch of people in their 20s running around, lots of things going on. It's just a place where people are optimizers. So I noticed this behavior among my friends myself and I thought it was kind of ridiculous.

So I wrote an article for the school paper called "McGinnis' Two FOs: Social Theory at HBS." Posted it to the website of the paper back in 2004 and it was sort of mildly popular at school and it was reposted on a few blogs here and there. That was kind of the end of it. I didn't really think much about it beyond that and of course, the term became popular.

But about a year and half ago a reporter contacted me and he'd done a study on the origins of FOMO and he traced it back to me. It was quite interesting because I've heard other people sort of claim that they popularized FOMO. There was an NPR story earlier this year that traced it back to 2011. Obviously, I'm seven years ahead of that and three years before any other mention on the internet.

So it was kind of extraordinary and it was actually one of the big things that got me the book deal was the fact that when this article came out, some of the publishers started reading my proposal all of a sudden.

Roger Dooley: Well they wouldn't want to miss out.

Patrick McGinnis: [Laughs] Exactly.

Roger Dooley: That's really great. I hope you get some royalties from FOMO revenue.

Patrick McGinnis: It's open source technology. I will say that every time FOMO appears in popular culture and it seems like it's appearing more and more, I get an email, a text, or some other communication. So the most that I've gotten out of FOMO is a clogged inbox.

Roger Dooley: Well, it's something. Let's talk about your book. I'm going to repeat the title, *The 10% Entrepreneur: Live Your Startup Dream Without Quitting your Day Job*. I'm thinking that there's some people who might take issue with that subtitle itself. I'm not sure that living the startup dream really involves also working a full time day job. Some people might view that as more of a nightmare.

[Laughter]

Explain that.

Patrick McGinnis: Absolutely. Well it's a good question. I've heard a lot of people—some of the feedback I've gotten as I've talked to people is "How do you do both?" Or, "I've seen on *Shark Tank* that if you have a job you need to sort of quit and put all of your energies into your startup if you're going to do this and be successful." That's a perspective that I think is fair in some ways. But the concept of the book is actually to turn that around.

The idea is to say lots of people have FOMO. They want to be entrepreneurs. They work at a day job. They go to an office every day and they wish—you know, they have a great idea that they always talk about at the cocktail party. "I'd like to start this company." But they're never going to do it because being an entrepreneur full time requires tremendous sacrifice.

There's this culture of glamorization of entrepreneurship that we've seen emerging where people try to make it look like it's this fun adventure and that it's like this great experience where you're going to have lots of fun and drink coffee and wear skinny jeans and a hoodie and ride around Brooklyn on a bicycle. That is not the reality of building businesses as anybody who's ever done it knows.

It requires financial sacrifice. It's a very tough lifestyle. It requires a reasonably high chance of failure. You have to accept that. There's a study from Harvard Business School professor, Shikhar Ghosh, that says that roughly 70 percent of startups don't return expected returns and less of that actually are really successful. So you have all these risks.

What I say to people is, "Accept those risks." But instead of being that person who says, "I can't do this. I'm never going to do this." Find a way to make entrepreneurship work for you. So the idea of *The 10% Entrepreneur* is to spend 10 percent of your time, money, and energy investing, advising, and even starting new businesses on the side. If you do that, you'll be able to create things that will be sustainable within the rest of your life.

Roger Dooley: Yeah, so are the *Shark Tank* folks wrong? Because I was actually going to bring that up because it seems like every now and then one of their entrepreneurs looking for funding comes in and it turns out that they've got a pretty good day job.

The hosts always take issue with that and either dismiss them as not really being serious about their business or basically say, "Well the only way I'm going to invest in this is if you bail out." Although I guess if Mark Cuban is going to invest in your startup then probably bailing out of your full time job wouldn't be that big of a sacrifice.

Patrick McGinnis: Well maybe. It's interesting, Mark Cuban is a great guy and I have tremendous respect for him but lots of the things he invests in are failures as well. When your company fails, Mark Cuban is not going to give you another job. What I talk about in the book, and I have some great examples of this, are people who find a way to make things work for them.

I have these two guys in Long Island, they work at a car dealership. They wanted to start a brewery. They started it on the side. Now they have a full time staff that works for them at the brewery but they have really good jobs and they like their jobs. They make great money.

So they've started this brewery and now four years later, they have north of 30 employees working for them. They have a 6,000 square foot location. They're serving their beer at Yankee Stadium. But they haven't had to take on the risks. They've got kids. They've got lifestyles that they don't want to lose. So they're able to do both of those things very successfully.

Roger Dooley: Well that's great if you can pull it off. I'll share my own experience that I think you'd probably find would resonate with you. My first entrepreneurial effort was way back in the early 1980s when home computers were just coming on the scene.

I was in charge of strategic planning for a Fortune 1000 Company and the company's R&D director and I both went out and bought TI home computers the week they were introduced at their new lower price.

We weren't really thinking of a business at that point. It was just something that, okay, hey, this is the next big thing. That evolved into, "Hmm, maybe there's a business opportunity here." We looked at possibly product development and didn't really have the skills or inclination for that but realized that the big box stores were selling these computers like hot cakes but they were carrying a pitifully small selection of after-market products, particularly technical products that they simply didn't want to deal with.

So we began testing the waters as a part-time thing. I recall we must have had 100 lunch meetings where we'd scurry around figuring out what we were going to do next. Then each work at home in the evenings to introduce some products to sell by mail order. Ultimately, we got a break. For one, TI was desperate to show that there was actually support for their hardware so they said, "Hey, if you give us a flyer, 140,000 flyers, we'll mail them to our users."

We put this really embarrassingly bad flyer together and TI dutifully mailed them out. That sort of got the business to the tipping point where not too long after that I ended up bailing out and running it full time. A couple of years later, my partner bailed out too. Had a 13-year run on that but that was I think a great example of what you're talking about because first of all, we used that time when we were gainfully employed to explore the market.

Our original business concept wasn't even something that we ended up doing. We decided that product development was wrong. Then we basically stayed committed to our real jobs long enough to get to that point where then it made sense to bail out. We were reasonably assured that the company could go forward.

Although, in classic entrepreneurial fashion, I think about a month after I bailed out, TI pulled the plug on their computer which was rather a shocking experience but we already had some other things in the works. So you define five kinds of 10% entrepreneurs, which kind would I have been?

Patrick McGinnis: So that right there is called the founder. I love your story, Roger, because it’s talking to something that’s actually backed up by data. I know you like to talk about data and facts on this podcast, which I appreciate. If you look at Real Options Theory and you think about the way that you build your business, basically what you're doing is creating an option value for yourself that you can eventually take or not.

There’s a study out of the University of Wisconsin by a pair of PhDs called Raffiee and Feng. What they found is people who did what you did, which is start something and then figure out if it’s viable before leaving and doing it have a 33 percent lower change of failure than people who just leave straight away to start something new.

So founders are people who like you come up with an idea, start it on the side, then keep working on it, and maybe eventually leave their full time job. They may stay in their full time job but they have that option once they know the business actually has traction and is self-sustaining.

Roger Dooley: What are the other kinds of 10% entrepreneurs?

Patrick McGinnis: The other four types that I talk about in the book are angels, which are angel investors, people who invest their capital in ventures on the side. Advisors, people who invest their time in exchange for shares of a company. Then founders, which we discussed.

Then there is what's called an aficionado. An aficionado is somebody who has a passion, for example, cooking or music and invests in something that allows them to practice that passion but in a way that is sustainable. So you know I love to cook. I invest in a restaurant, maybe I cook there sometimes. I can make money but I do something that I really love to do as well.

Finally, I have what I call 110% entrepreneurs. These are people who are already entrepreneurs. So they use all the skills they're developing to help other people either with their time or their money to get their businesses going.

I think that's an area that's critically important because entrepreneurs as we know put all of their eggs in one basket. They're really putting everything into a venture. So creating other sort of diversification inside of their financial portfolio and in their lives is really helpful to them in terms of lessening the risk of their principal employment which is the thing they've started.

Roger Dooley: Right. I think it's interesting that you would consider say an angel investor or an advisor as an entrepreneur because you sort of think of that as a different role than an entrepreneur. The entrepreneurs are the ones that are getting the money or the advice but I think that for somebody who does want to keep their day job those are probably both good roles.

To me, I think one way to look at it, and maybe it's sort of the aficionado strategy, but the fact that you can do something that you enjoy as a hobby and perhaps turn that into a business opportunity or not as things turn out, is really great because isn't it better to invest your time, your spare time, in something that might have a business payout as opposed to something that is just sort of a passive entertainment?

You know, watching TV or even fishing or something if that's what you do but there's not really any kind of an opportunity there. To me, if you can get as excited about a topic as an enjoyable hobby, then boy, that's like the best of both worlds.

Patrick McGinnis: That's absolutely right. You know, one of the really core strategies that people should employ when becoming 10% entrepreneurs is doing things that are close to home that they're good at. So the idea and we talk a lot in the book about how to pick projects and how to figure out what you're supposed to be investing in or starting or advising is finding things that you're good at but also that you're excited about.

Because what really got me excited about this book and as I was writing it, I interviewed 40 people all over the world, four continents and nine countries, because I wanted everybody who picks up this book to find somebody who they can relate to. What I've found is that those people, these can be very successful people.

I have a guy who's in the book who runs global brokerage at CBRE, one of the largest real estate companies in the world. But if you meet him out on the street, he's going to tell you about the fact that he invested in P.J. Clarke's. He's going to tell you about the fact that he's a minority owner in a minor league baseball team. This is an opportunity for people to profitably do things that they enjoy.

Roger Dooley: I think another point that you make in the book that resonates with me at least is that this part time venture can really be perhaps a major backup plan for somebody because today that full time job does not have the security that it did a decade or two ago or three.

You simply don't know even if you're doing an amazing job, that position could go away. The company could go away. They could be acquired. They could move something offshore. You just don't know. Having that small entrepreneurial venture suddenly is something that perhaps you can put more of your effort into.

Patrick McGinnis: Absolutely. That's precisely what happened to me. So I didn't ever expect to become—I've now invested and advised and worked on sort of north of 15 things right now, so I have this whole portfolio I've built over the last five years. I had never planned to do this. This was not something that was in the cards for me until—you know, I had gone to

Georgetown. I'd worked at JP Morgan. I went to HBS. I worked at a big private equity firm, which happened to be a part of AIG.

So in 2008, I woke up one day and my company was basically gone. I realized I had never done anything—I just was not entrepreneurial. I had nothing to fall back on. I saw this, all my friends were in the same spot. Anybody working in the corporate sector, it was a mess.

So that was the moment I sort of had this kind of like epiphany as it were. I woke up and the next day I said, “This is it. I’m never relying on one company for the rest of my life because I can do a great job. I’m playing by the book. I go to the office. I worked really hard. Then somebody I've never met sitting in some office I’ve never been to makes a bunch of bad decisions and my stock is worth three percent of what it was the day before.”

So I think not only is this about finding entrepreneurship, the upside in entrepreneurship, it’s about creating sort of a fallback plan. If I had had all these other things going on when AIG blew up, I would have just gone and worked on those instead. Maybe I would have even joined one full time. So that experience was really formative for me and why I wanted to write the book.

Roger Dooley: I think, again, going back to my experience, probably my most successful entrepreneurial effort started off as a hobby, then a small side gig. Then another venture that I was part of but wasn’t in a controlling situation at that point ran into issues. I was able to pretty much shift gears and pour all of my time into this small startup in the higher ed space and grew it a lot more rapidly.

So having that available though really sort of gave me a purpose too as opposed to when things change suddenly and you're, “Well what the heck am I going to do now?” Even though the changes came without much notice, I didn’t have to think long about developing a plan of what I was going to do.

Patrick McGinnis: Absolutely. Totally agree.

Roger Dooley: What do you do as an entrepreneur want-to-be if your day job is super demanding, your boss expects you to be available 24/7, and would view whatever you were doing as some kind of a distraction from your real job?

Patrick McGinnis: Right, that’s a good question. I think first of all anybody who expects you to be available 24/7 is being a little unreasonable so that’s probably a tough place to be. The reality is you do need to put your day job first.

One thing that I talk about in the book is don’t put your ten percent ahead of your day job. You need to perform at your day job and be excellent at it in order to have the credibility with your colleagues and your boss and to have the flexibility to do things on the side.

Once you’ve made that decision and you’ve committed to really performing, then what you need to do is find things that fit within your life. So if you have an extraordinarily demanding schedule, you need to find ways to engage with entrepreneurship that fit with that reality. For example, being an angel investor is far less time consuming than being a founder. Being an advisor is far less time consuming.

I advise several companies. I give them an hour a month because the value I add isn’t something that’s done by spending a bunch of hours. It’s by having experience in my field and being able to sit down with a founder and say, “What are your problems? How do I connect you to the right people? What are the answers that I've seen in my past jobs? How can we move on and be more successful?” So it’s not really about time in that instance.

I think when it comes down to people with demanding careers, you know, it’s quite amazing, I have a women in the book who is, she’s extraordinarily busy. She was the COO of a major internet company. She now runs a venture capital firm. She has done as an advisor north of ten—I think she’s at almost 20 companies—that she’s advised. And these are really big companies. Companies like Birchbox.

It’s because she doesn’t need to spend a lot of time with them to add value. So that’s the strategy that I would encourage people to think about when they're trying to match their ten percent to the realities of what they do all day long.

Roger Dooley: Right. So perhaps avoid the founder role that's going to be very time consuming if your day job is incredibly demanding itself.

Patrick McGinnis: Right.

Roger Dooley: I assume people in the VC industry are aware of your book. Have you gotten any pushback? Does anybody disagree? Take that sort of *Shark Tank* approach of, "Hey, if you're not all in, you're not committed and I'm certainly not going to talk to you."

Patrick McGinnis: I'm happy to say that I have really great endorsements like, you know, the blurbs in the back of the book I have one from Christine Tsai who's a partner at 500 Startups which is a great VC. So I wanted to talk to VCs before I did this.

The reality is most VCs are doing something on the side. Most VCs are advisors to companies and most VCs accept the fact and actually look for founders who have started something already and are working on an idea for a period of time before actually leaving full time and launching it.

It's something that I think is—I like to think about this book as the thing that everybody's doing but nobody's given a name to or talked about publicly. So I'm sort of putting it out there for everybody else. It's kind of like the best-kept secret out there that everybody should know about.

So I haven't had that push back yet. I'm sure people will have particular questions or they'll want to take issue with some of the things in the book and I welcome that but I feel quite confident that those people are probably doing things on the side and if we were to get into a discussion they'd realize that they are.

Roger Dooley: You mentioned you talked to people from different countries, how do situations differ internationally? Did you find any big differences?

Patrick McGinnis: It's interesting how technology has really I would say democratized and changed the world. I think all of us know that ten years ago—we're doing this interview via Skype, there was no Skype, right? Ten years ago, it cost a ton of money to build a website. Storage, a GB of storage was like $8,000. Now it's basically free.

So as a result, the falling costs of connectivity and technology has made it so that no matter where you are actually you can sort of do this and people employ very similar strategies.

What I've noticed globally, and I have cases in Lebanon and Argentina and Columbia and in China. What I've noticed globally is that there are certain places, for example in Argentina, where there's so much economic instability that people have been doing this for years.

In Argentina, you basically have to do things on the side just to supplement the income that you're making at your day job and people sort of look at me like, "What's the big revelation here?" I think that what I try to convince them of and what we focus on in the book is this is not just freelancing, this is thinking like an owner and building something that you could potentially sell one day.

So when you go to a place like Argentina, the mindset is very much there but they may not be thinking about it in terms—they may be thinking in more of a freelancing mindset.

Roger Dooley: Hm-mmm, generating current income.

Patrick McGinnis: Correct.

Roger Dooley: Right. You've got some good success stories in the book. What are some mistakes that you've seen part time entrepreneurs make or what are the most common ones do you think?

Patrick McGinnis: The biggest mistake, I think there's a couple, I'll give you three. The first is trying to sneak around on the side. I've seen this example a couple of times where—you know, Jack Dorsey, okay, he's the CEO of two companies right now. I don't know how he does it but he's managed to convince his boards to do that.

But I've seen entrepreneurs who start things on the side without telling their investors and then you end up in a situation where if your side business is more successful than the business that you raise capital for, it's a very bad situation to be in.

Your investors are not going to be happy with you. So you come across looking very unethical. So that's one area where I don't advise doing that. I've told people straightaway that it's a huge mistake to sneak around there.

The second thing I think is people tend to do things just because they don't like their job. So you've got a person who's got a full time job, maybe they're like an investment banker. They just don't like their job. So they basically start investing in anything that they see without being very rigorous in terms of the due diligence they do. That's a recipe for losing your money right up front.

I think the third one is people assume that they can't. This is a mindset game. I could sit down with anybody listening to this podcast and in an hour or two find things that you could do as a 10% entrepreneur. I'm convinced of it because I've done it with so many people. But the first thing that you need to do in order to get to that place is to have a mindset that says, "I can do this." So saying no straightaway is a huge sort of barrier to success.

Roger Dooley: Well before we wrap up I'm going to switch gears a little bit. You are a big traveler. I'm curious whether—when I run across somebody, I spoke to Martin Lindstrom a few weeks ago and he does like 300 days on planes a year or something crazy like that. I'd like to have his miles.

But do you have any particular travel hack, some piece of gear that you couldn't live without or any little shortcuts that other people might not know about? Because I know a lot of our listeners travel.

Patrick McGinnis: Travel is something I've done for I guess, I never left the country until I was 21 or 22, I can't remember, 20? But now I've been to something like 70-something countries. So I love travel. I love traveling to places that are a little funky. I haven't been to like Australia yet because I figure I'll go there when I'm retired. But in terms of my…

Roger Dooley: That's my philosophy with golf.

Patrick McGinnis: There you go, exactly. Well I tried that already and was a failure.

[Laughter]

But my number one hack for this year is a company called Bluesmart has made the world's first intelligent suitcase. It's in the book, so full disclosure, I'm an investor and advisor, but you don't have to take my word for it. They raised over two and a half million in presales on Indiegogo.

It's a suitcase that has a charger built in and it has a bunch of other really cool things like you can track it with your iPhone and weigh it with your phone. It's just beautifully designed. I'm the guy who always is running out of a charge. So I have found that having a suitcase with a charger built in and six charges has saved me on many occasions. So that's my number one.

My number two is T-Mobile. So when T-Mobile came out with its global plan—it's kind of ridiculous. Two separate people called me and asked me to coffee and sat me down and said, "I really think this is going to change your life for the better. I really want you to sign up for T-Mobile." Which is kind of amazing. It tells you the power of their brand and their offering.

But it's a basically you get free data and free texting in almost every country in the world. Then only places where I haven't had it are like Morocco and I think Saint Lucia. But everywhere else basically you get on the ground and for free, for $80 a month, and no additional costs, you have data and text.

It's not super fast but that has been—I was the guy who would rack up like $100 a month in extra charges on telecommunications and basically now that money is available for me to put into my 10% investments I guess.

Roger Dooley: Great, well thanks for those. Let me remind our listeners, we're speaking with Patrick McGinnis, author of *The 10% Entrepreneur: Live Your Startup Dream Without Quitting Your Day Job*. Patrick, how can our listeners find you and your content online?

Patrick McGinnis: You can find much more on my website, www.PatrickMcGinnis.com. That's M-C-G-I-N-N-I-S. You can find me on Twitter @PJMcGinnis.

Roger Dooley: Great. We will link to those places as well as any other resources we talked about on the show notes page at RogerDooley.com/Podcast and we'll also have a text version of our conversation there. Patrick, thanks for being on the show.

Patrick McGinnis: Thanks for having me.

Thank you for joining me for this episode of *The Brainfluence Podcast*. To continue the discussion and to find your own path to brainy success, please visit us at RogerDooley.com.