

The Tim Ferriss Show Transcripts

Episode 111: Conversation at Expa – Should You Start a Startup

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Tim Ferriss: Hello stoics, and epicureans, and everyone in between, this is Tim Ferris, and welcome to another episode of the Tim Ferris Show, where I usually interview folks, and deconstruct how they do what they do, whether they are just prodigies, musicians, military strategist, Navy Seals, music producers, athletes; you name it. In this particular episode, we have a change of pace.

This is a recorded session from learning with Expa. What is Expa? Expa.com, you can check it out. Cofounded by – among other people – the cofounder of Uber. It is a startup studio, and they have a very unique approach to building startups, and I am involved as an investor and advisor. Every once in a blue moon, they put together a night of education, a discussion of some type. I was invited to participate; I was interviewed by one of the partners of Expa on startup design versus lifestyle design.

Those of you who have perhaps some familiarity with my startup career – I have been involved with lots of startups ranging from Uber, to Facebook, to Twitter, and many others; Evernote, and Duolingo. Lots of companies that have grown to 100 million plus users or customers. Simultaneously, of course, I have this other writing portion of my life, which reflects a lot of principles I hold close to my heart. Namely, that lifestyle design should come before career planning.

I think that reconciling those two, i.e.: should you focus on muses, – which is described in the book and I describe it in this conversation – or cash flow driven businesses, – business in the very traditional sense to fuel a lifestyle and many other things – or should you focus on swinging for the fences and betting it all on a startup that is very equity-driven? This presents many, many different topics and questions for conversation that I think are under examined that are really important to look at not only in Silicon Valley, but well outside of that.

I hope this applies to many, many of you listening. Certainly, check out expa.com, and you can check out other Twitter handles,

and whatnot, it is a fascinating organization. If you haven't already signed up for five bullet Friday, I implore you to do so. Every Friday, I send out five bullets, super, super short tidbits of – hopefully – awesomeness to send you on your way for the weekend.

It includes things like my favorite article of the week, my favorite purchase of last week or two, someone new that I'm following on say, Twitter, that I'm finding very, very interesting. Very, very small actionable bites of information. Five bullet Friday, you can sign up for that, it's free, and it'll always be free. Fourhourworkweek.com/Friday. Check it out, try it out for a week, and I think you will then look forward to it every week. That's the idea, anyway. Without further ado, please enjoy this conversation on lifestyle design, versus startup design, and all of the inherent conflicts and existential dilemmas that many entrepreneurs face. Thanks for listening.

Male Speaker: Let's get started here. As you know, Tim has a really great background, he's participated in all parts of the ecosystem from building, to giving tips to people who are builders.

He has a great perspective, and we're going to go through a bunch of different things today. Hopefully, we get off track because, I think Tim's off track is actually the most interesting. Let's start with something – you guys saw that he invested in a lot of great names. You invested in Twitter, you invested in Uber; can you tell us a little bit about how you picked these companies?

Tim Ferriss: Again, I can also explain how I got started in Angel investing – which I think is very much related. I began Angel investing in 2007. I was having breakfasts and lunches with Mike Maples Jr. A very successful Angel investor, and now a very successful VC at Floodgate. “*The 4-Hour Workweek*” had just come out, and was as some people know, rejected 27 times or whatever it was by publishers. It came out, and sat on the best-selling list for four and a half years straight. His questions were related to his portfolio companies, and marketing PR, launch strategy, customer acquisition.

My questions were about the deal structure of those Angel investments. Why he chose Company A, instead of Company B. We'd known each other for quite some time, separately on a sort of physical training level. Over time, as I became more and more fascinated by the startup world, which I was completely unfamiliar with; it was very alien to me. [Inaudible]. I asked him if I could co-

invest alongside him in a few deals to test my risk tolerance, and to see if I could actually add value to these companies. The decision was made because I had fantasized about going to Stanford Business School for a very long time.

I went to school in the East Coast, I always felt like I was intended to go to Stanford, and didn't make it. I realized after several attempts to go to Stanford Business School – I got pretty far through the process, and then, got disillusioned after having very theoretical classes thrown at me during tours, that I should create a real world MBA for myself, instead.

Since I would've paid \$120 grand for a Stanford Business School over two years, which is a sum cost, and then you hope to make it back later, given the things that you learn, and the network that you build. I was like, "Well, what if I just created a \$120,000.00 Tim Ferris Fund over two years, invested – assume that I would lose it all – the sum cost – but that the network I built, and the lessons I learned would be earned back many fold, after that period of time". I co-invested with Mike very early on.

In the beginning, I didn't really have a set of criteria. I think that's something you develop by practicing, and figuring out what you're good at, what you're bad at predicting, what you can control, and then, what advantage you have. I'll come back to this – but I think that for any type of investing, whether that's in the public markets, bonds, startups, you name it, commodities, or otherwise – art – you need to have an advantage. That can be an informational advantage, which a lot of people in Silicon Valley have related to startups. It can be a behavioral advantage.

I think that for instance, Warren Buffett can emotionally detach himself in such a way, that he is unmoved by massive market fluctuations, or the acts of the masses. That's a behavioral advantage. You can have an analytical advantage, so you might be – say, a renaissance capital, very interesting hedge fund that just has massive computational and analytical ability. That can be another one, people who focus on – they say technical analysis, looking at charts and whatnot.

In my particular case, I realized after a few investments, that what I enjoyed doing – and I've been ridiculed for this by some VCs – not recently, but when I was getting started. It was, I'm only going to invest in products that help me scratch my own itch. I don't understand many things, but I understand my own set of problems. If I have a problem, at least that's a market – a guaranteed market

of one. I'll invest in consumer facing products that I would use to solve my own problem, and address my own needs.

I think wants are more monetizable than needs, oftentimes, but that's separate. As I started investing in more companies, I realized I want to invest in companies that are demonstrating traction, so they're not using me to create the fire, they're using me to pour gasoline on the fire. Usually, that means going from say, the ten thousand customer point to a million, or a thousand to a hundred thousand. That also overlaps with assets and skillsets that I already have namely, mass customer acquisition.

The other – few other criteria for me would include thinking of my portfolio, not themed along lines of say, Twitter related infrastructure plays, or companies that depend on “X” like, the Uber-fication of “Blah”. I'm not investing in 20 companies that are the Uber-fication of fill in the blank.

But rather, I'm investing in companies where I – every company I invest in can be helped by at least two companies already, in my portfolio, and they can help at least two companies in my portfolio. I'm creating this overlap, in a sense like, a Mitsubishi in Japan might – where instead of being vertically integrated, as it relates to manufacturing and distribution, and whatnot, it's integrated from a playbook standpoint. Right? Whether that's launching city by city, whether that's subscription models, whether that's hard goods at retail that are dealing with home shopping network opportunities, and direct marketing in channels that are not common to Silicon Valley companies.

I want that type of knowledge transfer to exist, and that's something you can engineer within the portfolio because, that means that even if a startup fails as an investment, you can still win by having invested in that company.

So if you put \$25 K in, and it fails, but that \$25 K buys you a playbook that can then be transferred to a company that suddenly pulls one of these kind of hockey stick inflictions. I would say other criteria would be listening to my audience, so if you look at – I've trained my audience to know what I am looking for in many different ways, and what I find attractive. If you look at my portfolio, some of my most successful companies, Shopify – I was the first advisor to Shopify in 2009; they just IPO-ed.

That's been a massive win, and I think it's just at the beginning stages. I found Shopify through my Twitter audience while I was revising “*The 4-hour Work Week*”, and pulling for ecommerce

platforms. Then, Evernote, same story, I found Evernote through Twitter by asking my fans what I should use for “X”, “Y”, and “Z”, and I became an advisor in 2009. Duolingo, I found Duolingo for no other reason than that five or six people happened to be on their beta, and now, Duolingo has 100 million plus users.

I find that my criteria are very simple, and when I deviate from that simple – I think simple is very undervalued because there are many people, whether those are [inaudible], or otherwise, who have to justify their fees and so on, by making things seem very complex. I think the more variables you have, the more complex your model, the more likely you are to screw up. In my case, I keep it extremely simple, and the challenge is not in coming up with a good thesis, it’s in sticking to that thesis because, you don’t have to be right very often.

Let’s just say people say, “There are 15 unicorn potential companies a year, out of Silicon Valley, or the U.S.” you don’t even have to get one of those per year. You can get one every five to ten years, and still make \$100 million, if you play your cards right. You don’t have to be right often, you have to avoid fatal mistakes, and bleeding chips. It’s a lot like poker, in that sense. It’s not betting, but it’s getting in and getting out, and then, the bet size, among other things.

Those are a few of the things I think about when investing.

Male Speaker: That was more than I thought. I just thought I was like a monkey with a blindfold.

Tim Ferriss: Some of that, too. He’s good. Whenever I do biotech, I get kicked in the nuts by the universe. That’s the other thing I’ve learned.

Male Speaker: Yeah.

Tim Ferriss: So it goes.

Male Speaker: Tim doesn’t do biotech.

Tim Ferriss: Unless I really feel like –

Male Speaker: Now that we know that you like investing, and that you have a point of view on it –

Tim Ferriss: You seem so surprised.

Male Speaker: I'm going to ask a question that has to get asked, you brought this up on the phone. Are we in a bubble?

Tim Ferriss: Are we in a bubble? This is a constant topic of conversation for good reason. I think the implicit question is, "Is there going to be a correction? Are we going to have a crash?" The answer is always, "Yes". I think that people, investors, in particular, have short memories.

Just having gone through two of these, the cycles always exist. Now, the question then, is what will crash? How can you mitigate against the damage? The way I'm thinking about this myself – and I can only speak to my personal experience – is No. 1, my job has become more difficult as an investor and advisor. There is an over-supply of capital, which has brought in fair weather investors, and fair weather entrepreneurs, both of which are very dangerous to each other, respectively, among others.

When you invest in say, a .com depression, like a 2001, or even 2009, when people were freaking out after a real estate crash that then has this contagion across asset classes. You are investing in entrepreneurs who are the hard core, the true believers who cannot help but build whatever they're building. I think that right now, the noise to signal ratio is so unfavorable for someone like me.

My job has just become more difficult. That doesn't mean there aren't good deals out there. I think there are some amazing companies, some amazing founders, but a great company, with terrible deal structure can be a terrible investment. I think I'm very good at a simple approach to early stage investing, and that approach has become very difficult to execute in the current environment. I do think what's hard to grasp, for me, at least, is identifying the tech companies that would suffer most –

Well, actually, no, it's fascinating to look at countercyclical examples. What I mean by that is if you look at say, an Uber – of course, I'm highly biased because I'm an advisor to Uber. You could look at Airbnb, same way. If there is a massive public stock market, like a public equities correction, what could happen?

You might have publicly held tech companies that are in that so called "Tech basket". They used to be isolated to like petfood.com, or webvan, or whatever. Now, the technology is so ubiquitous, and infuses so many sectors, that if the stock market crashes, what might happen? One hypothesis could be that people will lose their jobs, and are going to need income, and will want the flexibility of working as an Uber driver. People will not want to put down the

down payments and so on for – and monthly payments for a car. If they live in a city, they might opt to use Uber X, for instance. Airbnb, same situation. I think that there are some companies that you could argue would do even better in a down equity market.

Male Speaker: Yeah, there were companies – if you look historically, you have Google. That was after the .com crash. While it was performing [inaudible] – a lot of these performance based businesses that do well that way.

Tim Ferriss: Yeah.

Male Speaker: Let's switch gears a little bit because, clearly, you've done a lot of investing.

Tim Ferriss: Let me just add one more thing.

Male Speaker: Alright.

Tim Ferriss: I think – I always assume there's going to be a crash because that keeps me from losing my shirt. I am in early stage investing for the long game. I'm going to do this for decades, so I'm in no rush. That's the other thing, coming back to the first question: What do I invest in? I invest in people who'd be happy to run their companies for 15 years because, if they're looking for a two to three-year flip, there are too many things in the macro environment, completely out of anyone's control – at least their control, that can obliterate any type of acquisition or IPO plans that they have.

Male Speaker: That's fair. So you started out obviously, not just as an investor – that wasn't your first gig. Can you talk to us a little bit about your first businesses? I think it's called BrainQuicken.

Tim Ferriss: BrainQuicken, yes. I started out right out of college. My first job was – it took 32 – I still have them. It took 32 emails to get this job. But I was hoping for something that was not a sales position, but I ended up in technical sales for a storage area networking company, so starting mass data storage to movie studios, to National Geographic Survey, – I think that's the name of the company – and so on. At the time, mass data storage meant like 10 terabytes. 100 terabytes was like winning the lottery. [Inaudible] for \$700.00. Coming up with fiber channel, and [inaudible] Ethernet, and network storage – So we were competing against EMC, and Net Up, primarily.

That company – I joined that company in '99, 2000. The implosion came shortly thereafter, a year, or a year and a half later. I saw the writing on the wall with the layers and waves of firing. I was like, “Okay, if they just fired the entire inside sales team, chances are the outside sales team is not going to last very long”, so I started this company.

I remember specifically when it happened because there was sort of a middle level sales manager who came in, and he dropped this huge stack, like 100 pages just of names and phone numbers, and he said, “Start smiling and dialing”. I was like, “That’s not the smartest way to do this, and I’m really getting tired of this job”. Thinking about what I would start, and coming back to the simplicity of the investing model, I was like, “Well, what do I need? What do I want?” and “What do I spend a disproportionate amount of money on?”

In other words, what am I pricing sensitive to. I looked at my credit card statements, and bank account statements, and it was sports nutrition. It was sports related supplements, and pills, and potions, and powders. I had enough background, I was a neuroscience – initially, at Princeton, I kept studying that, even though I transferred to language acquisition, and whatnot, that I knew what I wanted, which was a sort of neural-focused pre-workout supplement.

I went out and tried to find biochemists and so on, who would help me put that together. I guilted all of my male coworkers – male because, women tend to be smart enough not to spend a ludicrous amount of their income on pre-workout supplements than guys – not true – they’ll blow all their cash on it. I guilted all of them into buying the first manufacturing run, and that’s how I financed the first manufacturing run. I also realized pretty quickly, being that young at the time, whatever I was – early 20s, that I should not meet people in person.

I should do it all via the phone because when they met me in person, they were like – I looked like the Tom Hanks kid in “*Big*” in the suit. Who would do that? [Inaudible] I’d take you seriously. Starting that company, I learned quite a few important lessons. Many of them were a direct result of not having any outside financing; it was all bootstrapped. I learned about margins – not only very literal margins, where I’m looking for a 7 10X mark up, but the importance of margin of safety.

There's actually an interesting book called "*Margin of Safety*" which is about value investing, for people who want to invest in other asset classes. I think it's Seth Klarman, Bowhouse, a very interesting hedge fund. The margin of safety would include things like buy media. I was buying advertising – this was like in the golden age of Google Ads, when it was just getting started. Also, I was doing print advertising. The feedback cycle was so slow, that I might spend a fifth of my entire bank account to buy one ad, and then, I had to wait four months to get the results.

What might you do in such a scenario? Well, I would reach out to a retailer, let's just say Acme Supplement Retailer, and I would negotiate – negotiation is a lot about timing, so I would wait until the inventory in the magazine was about to expire, and I would hit five magazines, and I would say, "What do you have left as remnant space? I will give you one fifth of rate card".

I would get – let's just say I'd get a \$10,000.00 space, for \$1,000.00, hypothetically. Then, I would call Acme Retail, and I'd say, "Hey, I have a great opportunity. I just want to let you guys know, if you're interested, great; if not, that's fine. I'll call your competitor "X". I just bought this ad, rate card, \$10,000.00, and if you pre-purchase \$2,500.00 or \$5,000.00 worth of product at wholesale, I will feature you as the exclusive retailer". Automatically, I have guaranteed that I would not lose money on that trade, per say. If I figure out that that works, that initial trade, then I can plow money in.

Capping your downside, if you can cap your downside, you can afford to do many experiments, and the upside will eventually take care of itself if you're formulating good experiments. Those were some of the things I learned, and I think the Meta scale on top of that was negotiating. Whether it's – there are a couple of resources that really helped me: "*Secrets of Power Negotiating*," by Roger Dawson.

Get the audio, if you can, "*Secrets of Power Negotiating*", "*Getting Past No*" as opposed to getting to yes. Getting past no is sort of a more realistic take. They're both very, very helpful. I learned how to negotiate, and deal make, and I think that those skills have translated to everything else.

Male Speaker: You brought up an interesting point when you were going through your business. You said you learned a lot because you were not venture-backed, you were bootstrapping that business. Can you talk a little bit about the advantages, or thinking through bootstrap

businesses versus VC-backed businesses? Obviously, being in Silicon Valley, we're all enamored with the VC-backed system.

Tim Ferriss:

I think that – I'll make another book recommendation: "*Anything You Want*" by Derek Sivers. Derek Sivers is a really interesting philosopher king, programmer polymath, who started CD Baby, and then sold it. It's worth checking out. He views building a company as your opportunity to create a Utopia; so your ideal version of the world. He was bootstrapped until he sold the company.

I think that they are fundamentally, quite different. The way that you build – although, the way you build them may be similar. The philosophy in mind, if you commit to building a bootstrap company, it's different to that of venture-back. The similarity is if you want to build a highly scalable business that produces a lot of cash flow, you should build it, so that you aren't a single point of failure. In that sense, if you read a book like "*Built to Sell*" by John Warlow, or "*E Myth Revisited*", assuming that you're going to be [inaudible] and putting systems in place, will allow you the flexibility to have an ideal lifestyle, but in business, it will also set you up to sell the company.

I think that the build process can be very similar. The difference is – and this has become very [inaudible] for me, recently because I've had – I had friend killed in a freak accident, a week ago, in Mount Kilimanjaro, hit by a bunch of rocks, came tumbling down the mountain – dead on the spot.

I think he was in his late '20s, early '30s. Another friend of a friend just died two days ago, in a freak bike accident. You are not guaranteed to have a lot of time on this planet. There are – probably, more than half of the people in this room will die from unnatural causes, or early death. You're not all going to die from old age – I hate to say it. I don't mean that to be a downer, I think this is a very important thing to keep in mind. A lot of artists, I think it was in the Renaissance Period, what's called a Memento Mori.

They would put a skull, a reminder in their pieces of art that took a long time to create, to remind them of the fact that they would die, and that they should make the most of every moment. The reason I bring that up is that I think lifestyle businesses, or lifestyle design is very much present state focused, or near term focused. VC-backed can be very long term focused, in a way that people focus on the – what I would call – the deferred life plan. They're like,

“Well, life sucks, it’s going to suck for the next five to ten years, but then, I’ll exit, hopefully for...” fill in the blank number that they’ve made up, “And then, I will be happy, and everything will be great”.

I’m not saying that’s wrong, but I think there are – you need to understand the risks in taking that approach.

Male Speaker: Do you think that that’s necessarily true? It’s a generalization, but there’s definitely people for example, who have done VC-backed businesses, who seem ridiculously happy.

Tim Ferriss: There are, and I would say they are in the minority, and I would also say they’re the same people I would invest in during a .com depression, not in a boom cycle. In a boom cycle you have a lot of folks who are looking at outliers that they see on the covers of magazines, and they’re not thinking of the survivorship bias. They’re like, “Oh, my God, I bet the farm...” and then, sold his company for \$100 million. It’s kind of like looking at mutual funds, and advertising like [inaudible]. You’re only looking at the two that survived, so you’re not reading about the tragic stories of failure when people throw cautions, and don’t mitigate risk in that way.

I think there are absolutely, outliers, but I would just say that the pattern, or the vast majority that I see are so fixated on the future, that they don’t pay attention to for instance – and there are exceptions, and we can talk about a couple of them – taking care of their physical self. Even if you’re purely interested in cognitive performance, mind and body, same thing. It’s the best way to think of it. There’s no Cartesian duality in that sense of separation. If you want to perform optimally from a mental standpoint, you need to take care of the entire system.

Male Speaker: That’s a great Segway into some of the things that I think you’re more known for in the 4-hour series, you have a number of different approaches. You are known for life hacking, or experimenting. What approaches have you seen that are successful in being successful in venture, and all these other businesses? I have to ask you; do you actually work four hours a week?

Tim Ferriss: I’ve never been asked that before.

I will answer that – I’ll answer that first, just to get it out of the way. The 4-hour question. The original title of the book was “Drug Dealing for Fun and Profit”. My publisher, which was the –

tongue-in-cheek name of the lecture that I gave at Princeton, at this high tech entrepreneurship class, twice a year – because, I was the only bootstrapped founder; they're all venture-backed. Lo and behold, no big surprise, my publisher crown told me, "You know, we're not big on the "Drug Dealing for Fun and Profit" title, so you need to change the title. I was like, "Alright, that's fine".

So I did a bunch of Google Ad words testing, and ended up with "*The 4-hour Workweek*". Originally, it was "*The 2-hour Workweek*" because that's how much time I was spending managing BrainQuicken at the time. They were like, "2-hour workweek; that's completely unbelievable". I was like, "4-hour workweek?" They were like, "There you go. Now, we're talking". Now, we're on the same page.

"*The 4-hour Workweek*" does have a factual basis, in like the two to four hours that was spent managing BrainQuicken at the time. The objective with that book – for those of you who have read it, you know this. The objective is to control your most valuable and maneuverable resource, which is time, so you can allocate it in the way that you would like, to optimize for "X", whatever you happen to be optimizing for. If you are – but if you can – to put it another way, it's about optimizing, or maximizing your per-hour output.

Once you maximize your per-hour output, you can choose to work the same number of hours, but get five to ten times more done. You can work less, and spend more time on things that are more important to you; family, or whatever it might be, or you can work more. There are a lot of people I've connected with after 4-hour Workweek, and 4-Hour Body, particularly people saying like, "The highest levels of finance were awesome. Now, I can work even more and crush my competition". Fantastic. It's not a misapplication. Do I work four hours a week? I'm in a fair, fortunate position; I don't have to do anything.

I choose to spend time on creating cool things that I think can have an impact of some type, and that's why, for instance, I can feel I can do that more effectively investing in advising than I can in starting my own [inaudible] company – which I've never done. I have no plans to do. I'm a terrible – I just really chafe against authority, in any way, so I don't think I would be good at it. I don't think I'm a particularly good manager for that matter, either. In terms of commonalities across high performing CEO and founders – not necessarily the same people. The CEOs are not necessarily the founders.

I would say, No. 1, there are many ways to skin that cat. You can have a Herb Kelleher from Southwest, who's a nice guy, who'd give you a hug, and pat every employee on the head, or you can have Steve Jobs; not the nicest guy in the world. Very effective, but not very effective, and some people could argue, not very happy, either.

Warren Buffet, same story. He does not have necessarily, the best relationship with his kids. There's a great book called "*Making of an American Capitalist*" which is unauthorized, which makes it slightly more interesting in my mind, but just very, very good about Buffett. I think that what they have in common at the core despite different behaviors, despite different behaviors, different ways of implementing it, from my perspective, is being effective instead of being efficient.

What I mean by that is they're very good at choosing the highest priority tasks that will render everything else easier, or irrelevant as opposed to just doing a lot of things quickly. Whenever I find, for instance, a big red flag, for me, if you find a founder who has many, many side projects – I've never had one of those work out.

If they have like 15 side projects they're passionate about, they don't know how to pick a lead domino that will help topple all of the others, that will produce a good ROI for themselves, for their employees, for their shareholders, investors, etc. I think that – I'll give a non-tech example. I was just interviewing – a few days ago – this guy named Jaco Willink. I imagine probably none of you have heard of him. Jaco Willink. One of the scariest human beings I've ever met in my life.

He entered the Navy Seals at 175 pounds, and now, weighs 240 pounds. Is [inaudible] black belt, trains [inaudible] fighters, but was also the commander of the most decorated Special Forces unit in Iraq. If you look at what made him very good at what he does among other things, it was being able to take something seemingly complex to the people reporting to him, simplify it, and he was able to detach himself in a way so that from his outside perspective, he could identify of these six emergencies, what the most critical emergency was, and to tackle that first.

I think that good CEOs have that ability. It just takes practice. I think often, the most important thing is whatever makes everybody the most uncomfortable.

Male Speaker: You talked a little bit about CEOs, and founders, and you made a subtle distinction and said, “Sometimes, a good founder is different than a good CEO”. Can you talk a little bit more about that, what the distinction would be?

Tim Ferriss: Yeah. I think that quite frankly, you’d probably be better answering this – or many people in this room. Not every founding CEO makes a good growth state CEO. There are some people who are just brilliant product developers. One of the green flags – instead of a red flag, for me, is when I find a startup that’s growing quickly, without any type of paid acquisition or advertising, and I have people from my network who reach out to me, since I’m public about these investments, to offer them an amazing business development opportunity, or partnership, or whatever.

They say, “That’s great. Not the best timing. We’re just going to focus on product for now” – perfect. Those companies turn out best, for me, up to this point. A lot of CEOs get pulled from a tactical technician level of crafting product working on UI, working on “A”, “B”, “C”, “D”, and “E” and get put into a managerial role as the company expands, and is not good at it, or they don’t like it, which often leads to them not being good at it because, they don’t want to dedicate their mental resources to it.

That would be one example. There are many, though. You have that, then you have – you have different stages, then you have pre-IPO, and IPO. All of those stages can require a different skillset, and it’s rare – not impossible, but rare that the founding CEO makes it all the way, or wants to make it all the way to running a public company for “X” number of years.

Male Speaker: You brought up being happy, at a point, when you were talking about the habits, when you were talking about lifestyle design.

Tim Ferriss: Steve Jobs.

Male Speaker: How do you factor that in? How do you advise everyone here to think about that? Because, I think a lot of people, the characterization of Silicon Valley is work really hard, kill it, 100 hours a week, grind – kind of thing. How do you think about that yourself, in your own life?

Tim Ferriss: Well, I think that you can kill it, and work 100 hours a week, and feel a general sense of wellbeing. Happiness is a troublesome word. I actually try to avoid using, or avoid using “Happiness” and “Success” because I think they’re so over used, they tend to not

have a clear definition, so you end up chasing the specter, and that's very dangerous because you realize five years later, that you've been chasing your tail without a clear outcome in mind. What I would say is that I think the opposite of happiness isn't sadness; it's boredom – for most people in this room.

If you kind of semantically continue that analogy, say, “Well, if happiness isn't a good word, what's the opposite of boredom?” I should chase that, excitement. I think if you chase what excites you, that's easier to grasp onto, easier to define, and the side effect of that is feeling what people would characterize as “Happy”. That's how I think about it, and whenever I founder, it's usually because I'm looking at it a different way. I would say, chase what excites you, and that tends to be the cure for a lot of these other issues.

Male Speaker: You talked about good CEOs, good founders, and habits. Are there any folks that you look at and say, “These guys are killing it; they're doing the right thing” that people should look out for?

Tim Ferriss: There are many people who impress me, and every person has their strengths and weaknesses. I'm very impressed by Mark [inaudible], would be one. I think he's just very good at filtering opportunities and decisions based his ability to project into the future, and identify things that can be extremely large.

I think he's very, very good at that, and has a certain prescient ability. As a result of that, he's good at ignoring a lot of noise. Thinking of not just current market size, but eventual market size. Not to beat a dead horse here, but I think Uber is another great example. Where it's like people are like, “Oh, my God, the black car industry? That's only this big”. X million people, X, Y million number of rides. It's like, well, what if the technology significantly expands that market?

I think that is lost on a lot of people; they look at current comparable, without looking at how that technology can affect broadening the market, or [inaudible]. It's like, “Oh, we thought it was just black cars, but then, there's Uber X, and then, there's food delivery, and...” Now, it's this sort of mesh of logistics that can be laid on top of anything.

Other people who impress me, I mentioned Jaco – I don't want to limit it to tech. I think that unfortunately, in every world, whether that's tech, military, or otherwise, people develop a very narrow evaluation of leadership. In fact, I think where you can

differentiate yourself, and establish those competitive advantages I talked about earlier is by borrowing from worlds and industries that are completely outside of what is considered normal. Like the echo chamber here, as an experiment, ignore tech for a week.

Look for leaders who are effective outside of tech, and what tactics and strategies you can borrow from them because, I guarantee you, 99 per cent of the people you're surrounded by or competing against, are not looking at any of those examples. I think that you could look at someone like Rick Ruben, for instance, music producer. I did a podcast with him. You guys can listen to him. He's worked with everyone you can imagine: Johnny Cash, Eminem, Jay-Z, and Slipknot.

It's just like everybody. Metallica. It's an incredible roster. He is very good at making calm, big picture decisions, and guiding artists. As an investor, I find that very interesting because investors are almost producers, in a way. You're taking these raw materials, and try to mold it into something more effective, that can scale more rapidly, etc. It's not dissimilar. I think Rick Ruben is a very interesting example. He chooses, for instance, to be relatively secluded.

What I've come to realize is you can say yes, and in many ways, you have to say yes to get to a first tier of success in any field, and at that point, you have to take all of these abilities that got you there, and basically turn them on their head to say "No" to a thousand, or a million things so that you can focus. I find that very difficult. I still find it difficult. I'm not the worst person at it. Neil Strauss, who's seven time New York Times bestselling author.

His systems that he's put in place to say "No" or completely ignore, so he doesn't even see 99 per cent of the inbound while he's on book deadline, is very impressive to me. He was a – and is, still, a very effective journalist, and the fact that he can turn out high quality work, and doesn't believe in the existence of writer's block effectively, is impressive to me. He does that through systems, and habits and processes. It's not magic, it's not any type of God-given talent. He's trained himself to do that. Those are a few people who come to mind.

Male Speaker: Let's open up to some questions. Kaya can give you the mic, just raise your hand. Ask Tim hard questions. Yeah, he's ready.

Tim Ferriss: I'm ready. I'm warmed up with my gin tonic.

Participant: How is your understanding and knowledge [inaudible].

Tim Ferriss: How has my understanding of neuroscience affected how I write?

It hasn't much. I would say that the two, for me, are still pretty far apart. I think that they will be more directly connected at some point in time, but for now, I'm really just looking at millennia of human behavior, and allowing that to inform how I write more than modern neuroscience. I might write about that shortly. I'm working on some stuff related to some freakish experiments in neuroscience that I would not inflict on any of you, but I will inflict on myself.

For instance, if you want people to use prescriptive information, how-to information, you have to understand behavioral change. I could actually – let me take that back. I might not look at anatomical neuroscience, but I might look at cognitive neuroscience. The work of Danny Kahneman, or others to identify how habits are developed, and how I can avoid cognitive resistance to certain types of suggestions.

I look at behavior change, and the science related to that very closely. If I want someone to lose 100 pounds, trying to persuade them to do that with the threat of Type 2 diabetes, or cardiovascular disease doesn't work. It very clearly does not work. If you're trying to say, "Six-pack, your ass will look better in jeans", or "You'll have more sex" that really works. You use say, changing breakfast. Right? You say, "Don't change anything. Don't start exercising. I just want you to change breakfast".

Then, they lose 10 pounds in the first week or two, and that builds the credibility that you can then sell them on the next step, and you never advertise the diabetes or whatnot. That is a side effect of you having used an effective Trojan horse in the first place.

I think of the sneaky Trojan horse that I can use, to get people to do things they don't want to do when offered conventional reasoning – if that makes sense. That can be used for just about anything: language learning, it can be used for weight loss, it can be used for quitting smoking. You have to use the right incentives. I wouldn't say this is neuroscience per say, but if you look at – this is in "*Thinking Fast, and Thinking Slow*" by Daniel Kahneman, which was recommended to me by Barack Obama. I took that book recommendation seriously. Great book.

Looking at loss aversion versus desire for gain. How hard will you work to make \$100.00 versus losing \$100.00, or worse yet, getting robbed of \$100.00? Well, it turns out, if you were to – the motivating magnitude of losing \$100.00, is only matched by gaining like \$600.00.

It's completely disproportionate. What does that mean? Use the stick. In the U.S. it's like a pat on the head, a gold ribbon for 13th place, or whatever. If you want to affect behavioral change in yourself, use punishment – it really works, or humiliation, or embarrassment; those are like really dirty words in the U.S. It's like, "No, kumbaya, happy, happy. We're all good". That flies in facing the science. It's like "Oh, you want to lose weight? Take a photo of your fat ass from like six perspectives in underwear, give it to your most merciless friends, and be like, 'If I don't lose 30 pounds by this point in time, this is going on the internet. You will figure it out'".

Male Speaker: That's good.

Tim Ferriss: Yeah.

Male Speaker: I think you got her question. Anyone else? Sugar coating it – the tall gentlemen over there, with the beard.

Participant: How can you say [inaudible].

Tim Ferriss: Wants, not needs, and how do I think about that.

I think what I was just mentioning ties into it perfectly. People don't need to have their ass look good in jeans, but for whatever reason, for whatever human-like foible and defect, they will work harder for that than dying ten years earlier from heart disease. Humans are just not good at many, many things, including exponential versus linear thinking, long-term versus short-term. I think that selling the want, is – like, when in doubt, sell the want, not the need because, I think when you say "You need this" people also – this is my subjective take on it – but they are sometimes offended or affronted because that seems very presumptuous more so than if you're selling a want.

That's not hard data, but that's generally how I think about it. Also, it's – I think you can assign a higher value to wants, in some cases, than needs.

I know that sounds funny, but it's more aspirational, and more nebulous, in a way. The market hasn't been set. The price has not been established for a lot of these wants, as opposed to needs. That would be my general take.

Male Speaker: Kaya, who's next?

Tim Ferriss: You could just find the drunkest person and hand them the mic.

Participant: Just wondering, on your podcast, who have been your tops and favorite [inaudible]?

Tim Ferriss: This is a tricky question. Favorite podcast guests and why. I will say – as a background, I started the podcast to be a break between book projects. It was not intended to be a thing for me, or to be what it is now, which is 100 episodes in, etc. Every guest is invited on the show out of first and foremost, self-interest for me, and that is the scratch-your-own-itch ethos that I kind of apply to everything.

At least, I know I'll enjoy the conversation, even if it falls flat everywhere else, which comes back to the like real world MBA investing, like even if it fails, what do I gain? It seems like a dodge, but every guest has served a very specific purpose for me. Brene Brown, vulnerability, shame, etc. It seems totally out of place, but I was dealing with some shit that I wanted to sort out, so Brene Brown it is. Jocko – that's an amazing name – Jocko was brought on the podcast for many reasons, but also because I feel like I'm a manual illiterate.

I use my thumbs for the spacebar, and that's great, but if I had to fix a car, or build anything, I'm probably a hopeless cause, or like stop someone who's hemorrhaging, like apply a basic tourniquet, I wouldn't know how to do it.

That's become an issue for me, so hence, Jaco. I would say that some of my favorites are very close friends of mine. I'll just put it that way. Josh Waitzkin, who was the basis for searching for Bobby Fisher, considered a chess prodigy, but really, has a learning framework that he can apply to anything. Very soulful guy. I would characterize as extremely successful, but also very self-actualized, and if we wanted to use happy – although, I don't like to – I would describe him as a happy guy.

I would say the people who are very, very highly successful and world class in their chosen field, but also who can time out, and

chill the fuck out, and enjoy the small things, those tend to be the people I gravitate to because I have trouble with the latter part of that. Rick Ruben would be another example of that. I think John Favro is a good example of that; the director. Robert Rodriguez, very good at it. Those would be a few examples, but I get something out of all of them, otherwise, I wouldn't have them on the show.

Participant: How has your experience as a solo – it seems like a lot of it [inaudible]. I'm working on a side project, and I actually started to really like it, but the [inaudible] to talk me out of that because, I sort of was enjoying [inaudible], I don't want to start [inaudible].

Tim Ferriss: Let me dig. The question was, I'm solo founder, I'm enjoying what I'm doing, but I'm getting a lot of pressure and advice to find a cofounder, and follow the Silicon Valley venture-back script. Right? I'd say that it depends entirely on what you want the outcome to be. I find one year is hard because it's so close.

I like three-year goals, and then ratchet that back to sort of next steps within six months. That's how my mind operates. Read a book called – I think it's "*Small Giants*" or "*Little Giants*" by Bo Burlingham, and it's about companies that choose to be the best, and not the biggest. I think that's a good counter example to the common recipe used in Silicon Valley. Again, they're not different; it's like you're baking or making different things. They're just recipes for different outcomes.

But I think if you're enjoying it, if I were to project my experience, one way to very quickly not enjoy it is to have – if you say, "Well, I don't want to get into all this muck". If you have a board, and you raise a bunch of money, and you lose control of the board, or you fuck up your cap table, it just complicates the purity of that enjoyment tremendously.

I would also say, a solo entrepreneur, without those shareholders and employees, to which you do owe a degree of loyalty and so on, you can opt out. You have the option to hit pause, or stop, or eject. I enjoy, personally, that optionality. I will invest in venture-back businesses, but I am not suited to building one myself. I really don't think I'm in a good position. I don't have a good temperament for that. It's like if you're going to be a chef, it's different. Like, being a cook is different than being a baker.

If you like to fold your underwear and socks, and like everything really orderly, kind of American psycho style, you're probably a

baker. That's me, I'm a baker. If you're a cook, it's like, "Well, I'll just throw a dash of that, and a dash of this, and taste as we go", and like "Fuck it. Let's just throw caution in the wind, and see what happens". That's just not my style. I get too stressed out. So you just have to figure out what the best match for your personality is, and what version of utopia you want to create, which goes back to the Derek Sivers example.

Even if you don't want to read the book, a lot of his materials are on sivers.org, which is fantastic. I really admire him tremendously for his willingness to not just talk about acting in a contrarian way that is true to himself, but is actually implementing it and sort of shocking many times.

Male Speaker: You, back there.

Participant: Hey, Tim, this is [inaudible]. What did you change your mind about in the last year or two?

Tim Ferriss: What did I change my mind about in the last year or two? That's a great question. What have I changed my mind about? The first that comes to mind – feel free to follow-up if you like, but it's on a medical front. I was knocked out of commission for about nine months with Lyme disease. I always really wrote it off because I grew up on Long Island, where everybody gets Lyme disease, but I was just destroyed. I was operating at like a 10 per cent capacity for a very long time.

I always also distrusted the diagnosis of chronic Lyme, even though it persisted for that long. What I've changed my mind about is antibiotics. Now, antibiotics are very important, and have some really key applications, but what I've realized in discussion with people like Robb Wolfe, for instance – some of you may know that name, Robb, you can check him out, if not. He's a very, very smart guy, who works a lot in the cross-fit, paleo communities, but a very good understanding of biochemistry.

The treatment causes what you might call iatrogenic problems. Iatrogenic is a fancy way of saying you go to a hospital, and the medicine of the treatment itself causes additional problems. The antibiotics, like Doxycycline can screw up mitochondrial function. If you screw up your mitochondria, guess what? You start exhibiting symptoms that seem identical to Lyme disease.

I think that the blame is placed on Lyme, whereas, in fact, I think many cases can be explained by the antibiotics. Now, the way I've

addressed that is by experimenting with diet, specifically with ketogenic diets, like Atkins diet, and fasting. Those were the keys – I don't yet know the exact mechanism that allowed me to return to my previous level of functioning after the antibiotics. It wasn't just like probiotics because that was the wrong target.

It seems like the probiotics were the wrong target. It wasn't just destroying the gut biome, which is itself another problem, but it was the mitochondrial function, and taking supplements like [inaudible] for instance, but really focusing on resurrecting that type of function. That's something that was a big surprise to me that I've changed my mind on.

Participant: Yes, I have a question. I started a [inaudible] company about eight years ago, and actually, my company was featured on your blog, actually.

It was one of the muses that have [inaudible]. I was able to automate the whole business, and so I didn't have to work at all. Pretty much, no time at all, really. I think one of the things – I always had a lot of questions about what to do after you got to that point. I always felt like there should've been a follow-up to the book "*The 4-hour Workweek*" after the [inaudible].

Tim Ferriss: What next, yeah.

Participant: I think one of the things I've always wondered about is some of the things you may have experienced, let's say like loneliness, of working by yourself. Also, you don't like the whole venture-back, having a bunch of employees. [Inaudible] you have a lot more freedom when you're by yourself. I guess I'm curious how you thought about having one – let's say when you can't focus on your problem, versus your [inaudible] in a lot of things. How does that – how do you think about that experience?

Tim Ferriss: That's a multi-pronged question. There's the "What next?" if you create a lifestyle business, then there's the "How do I view the more..." scattered is a negative connotation. The diversely interested entrepreneur versus the solely focused on one big problem entrepreneur. Just to address one thing you said, the observation was that I might not like venture-backed companies for myself because it ties me down. Quite frankly, I just don't think I'd be good at it, so it's not my sport to operate in a managerial role in a company like that. I just don't think I'd be good at it. As a mercenary for growth, yeah, I'm really good. That's my key, so I

should be used as a mercenary, not like a lifer. I'll chafe; I won't work well in that environment.

To address the first, to create a successful muse business – what that means is an automated cash flow business. For me – and again, I come from a very risk averse family, in general. I view myself as risk averse, which might come as funny to people. I view risk as an irreversible negative outcome. That's how I sort of think of risk. I want to satisfy as many levels in Maslow's hierarchy of needs first, from a financial standpoint, and then I can focus on big problems.

So for me, the Segway from cash flow in bootstrapped business to venture-backed was perfect because I could try to fuel and help people who do have the skillset and the drive to work for a decade or more to build a company worth 50 plus billion dollars that affects many, many – hopefully, hundreds of millions of people.

That is sort of my – my Archimedes lever is acting as an advisor or an investor, or using my audience to help the global literacy XPRIZE. I have developed these assets that allow me to effect change in these areas by assisting people who are leading that charge. That's been my decision. Rather than starting one of those companies, I would rather use the tools and assets and mega funds that I have to try to amplify and accelerate ten, 20, or 30 of those people. Singular folk as versus diverse interest, again, I think it comes down to personality type.

I don't have the ability to focus on one thing for a very long period of time, so what I choose to do is find a basket of activities that each tie into a meta skill. In my particular case, whether I'm learning something really esoteric like Japanese [inaudible], or looking at options.

Derivatives training. The approach I take to try to deconstruct that skill, identify top performers, and codify – sort of an algorithm or recipe that each of them are using, and test assumptions. That process is the same across all the skillsets. I guess, my singular skill is this development of mettle learning, the learning of how to learn faster, but I don't have the patience or wherewithal to focus on just one thing.

That's maybe a weakness, but I've turned it into a strength by approaching it in that systematic cohesive way. If that makes sense. Then, hopefully, I can take that skill and transplant it to someone who's singularly focused on building a huge company

that will hopefully positively impact the world, and they can apply that within the company itself. That's how I've been thinking about it, at least.

Male Speaker: Alright everyone, let's thank Tim. I think we're wrapping up here. Roberto, do you want to say a couple of things real quick?

Participant: [Inaudible].

Tim Ferriss: That's cheating.

Participant: Yeah, but you basically answered [inaudible]. You said that it's a green flag for you when [inaudible]. That was basically the – questions saying you're an investor, you're a writer, you [inaudible] to focus on. [Inaudible] is a relevant question, but [inaudible]?

Tim Ferriss: If I had to choose one. That is tough. If I had to choose one, I would – that's so tough.

It would either be the podcast or writing. The podcast is effectively my favorite part of writing, without the writing. It's interviewing experts, and getting their advice for whatever I want to ask them. That's fucking amazing. That is hard to give up. I could cheat and say it'd be the writing because that's already a component of it. Writing though, in long form, I think holds a very peculiar and unique position in the mind space of humans. It still does. I think it's because of the immersive experience.

Rather than reading an article and having 15 notifications, and 17 tabs vying for your attention, you can immerse yourself in this long-form experience, and I think that's why books, when done properly, at least in non-fiction and prescriptive work, can have such tremendous impact. You can grab someone's attention in a world where that is the last thing they have to offer, and it's the most fragmented.

I would say the interviewing. I love trying to identify the commonalities across seemingly separate worlds because, there are commonalities. There are always commonalities. The best people in ten fields, that seem to have nothing – like, competitive eating, competitive wood chopping, curling, poker playing; you take the top three performers in those worlds, they will have more in common with each other than the people who are like the 10th to 15th place players in each of those fields.

I would say that. I would also say for those of you who haven't really dug into Expa, you should chat with these guys. The reason I find Expa so interesting among many others – this goes back to side projects –

Male Speaker: I'm paid.

Tim Ferriss: Yeah. Well, kind of. Is that when you look at a studio model, and you're not taking applications, you have less distraction. You don't fall prey to the fear of missing out – the phomo that drives such a spray and prey approach in the valley.

Which, I think is extremely dangerous because it fragments your attention, it fragments your allocation of resources, and whether that's people, and man hours, or capital, or otherwise. You're really developing companies as opposed to trying to collect product. Those are two very different things. You can have the best product in the world, and it could change the world, but it doesn't because it never gets to scale because like, the cap table was screwed up right from the get-go, or the team wasn't put together properly, or they brought in the wrong investors too early.

You can avoid all of those problems with the playbook, or avoid most of the fatal problems with the playbook that I think you guys have developed and are continually refining in Expa. If you guys haven't talked to these guys, you should. It's very, very unique.

I'm very protective of my time, and this is one of the places I've chosen to spend it.

Male Speaker: I appreciate it.

Tim Ferriss: Yeah.

Male Speaker: Alright, thanks everybody, thank you, Tim.

Tim Ferriss: Thanks, guys.