

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers.

And each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find Another Bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

Okay.

Today is a special episode with Andrew Wilkinson.

Andrew Wilkinson is the founder of Tiny, which a holding company, a venture capital firm.

I don't know what exactly you want to describe it, but he'll tell you, but basically they own about 10 different software companies.

And Andrew was on the show a few days ago and people loved him, including Sean and I. We really liked him a lot too.

Yeah.

You know, he was such a popular guest that the only way to do better was to just remove me and Sam from the podcast altogether and let Andrew sit with a microphone and your questions and do an AMA.

So enjoy an AMA with Andrew Wilkinson.

Okay.

So this is my first ever ask me anything.

I've never done one of these before and I was supposed to be on a different podcast, but it ended up getting rescheduled.

And so I decided to go on Twitter and see if anybody had questions for me and Sean and Sam from my first million of kindly said that they're going to put this on their feed.

So happy to answer everybody's questions.

And if this goes well, maybe I'll keep doing these.

Let's get started.

So Rand asks, I know that you outright buy majority stakes in companies and hire CEOs to manage them.

How do you find these CEOs that you can trust?

There's two things that we do.

Generally, we start by sourcing people through our network.

We're typically looking for people who we have some connection to already, which is a great way to vet people.

So what we'll do is go to our existing CEOs and executives across all of our companies and say, Hey, we're acquiring a company.

It's in this space.

Who do you know?

Who's the best executive or CEO that you know in that space?

And that usually yields a lot of really interesting candidates.

The other thing that we do is we try and recruit people that have already done the thing that we want.

If you were going to go and build a new deck on your house, you wouldn't hire somebody who you thought could probably figure it out.

You would go and hire a red seal carpenter who had built hundreds of decks who was super confident.

And so what we look for in a CEO to run one of our businesses is somebody who's already done it before, somebody who's been at a larger business in a similar industry and can come in and basically follow the same repeatable pattern that they used to grow the other business where they've already lived through that stage of growth.

And then we put them in place and when someone's done something a million times, they know exactly what to do and you really don't have to oversee them that much.

Kevin asks, I've heard you mentioned Warren Buffett often.

Are there any other leaders that you emulate or look up to?

I love Warren Buffett.

I'm a huge fan of his and that's how I discovered the investing.

But I actually find his business partner Charlie Munger far more fascinating than Buffett.

I mean, Buffett's amazing and everybody should read Warren Buffett's letters and stuff.

But Munger is kind of quietly in the background.

He's his minority partner.

Munger has what he calls a lattice work of mental models.

It's a large collection of rules and ideas and heuristics, kind of ways of thinking about problems that help you shortcut your thinking so that you can say, oh, that's one of those.

An example of that would be availability bias.

So if I've just been defrauded, I'm going to apply that experience to all my experiences in the short term.

For the next month, I might be far more suspicious of everybody because it's available in my brain or I might apply that and see that everywhere.

I might think everybody's trying to steal from me.

Incentive caused bias.

So an example of that would be all these CEOs who have done all these crazy share buybacks are now left with no money in the bank.

A nice interpretation of that would be that they're simply just trying to return capital to their shareholders in a more tax efficient manner than dividends.

But if you look at it with a skeptical eye, a lot of CEOs are compensated based on share price because they get stock options.

So their stock options become more valuable when the share price goes up and what makes the share price go up, but share buybacks.

So when you buy back shares, there's fewer shares and each individual share is worth

more.

And so it's actually a way for the CEO to put money in his or her own genes.

Not necessarily always, and I wouldn't say that's a blanket rule, but you could look at that and go, that's one of those.

That's incentive caused bias.

There's endless numbers of these mental models that are fascinating.

We actually made a video, a tiny that I'll link out on my Twitter that's kind of an animated version of one of Charlie Munger's speeches about them.

They're very simple concepts, but I've spent God hundreds of hours in my car just listening to speeches that Munger has given, listening to audio book quote compilations by Munger. He's just absolutely fascinating and if I had one recommendation, it would be just to read Warren Buffett and Charlie Munger's writing speeches and interviews because it really covers everything you need to know about running a great business and investing in general.

Iran asks, after building and owning dozens of companies, do you think company building is a repeatable process?

What percentage of it can you automate by technology or process?

I think that starting a company is kind of black magic.

It is repeatable and there's obviously a process to it that includes validating the market, validating that there's demand for it, validating that you can make money in projections, but so much of that stuff is future casting and guessing.

But that said, I think growing companies is a much more repeatable process.

Brent Bashore from Permanent Equity calls it the everything tastes like chicken part of business.

And what I mean by that is that every business looks kind of the same in many different ways.

One example is pricing strategy, so looking at a business and saying, is this really the fair price for the product?

Is it overpriced?

Is it underpriced?

Can we tweak the structure of the pricing?

Can we make this monthly so that it's a less burdensome amount of money?

Can we get people to prepay for it?

There's so many different ways to tweak that.

Marketing best practices are another area we look at when we're looking at growing a company, search engine optimization, copywriting, conversion optimization, social media.

We found businesses where they have millions of email subscribers and they just don't send emails.

These simple best practices that can grow a business, just ignoring channels and stuff.

Incentives can drive a business in a big way.

I used to get frustrated because the people that I hired as salespeople at some of the businesses, they never seemed to be as excited to close deals as me, and I couldn't figure out why, which was ridiculous, because the obvious reason was they were not incentivized to do that.

If we closed a deal, it was actually just more stress for them.

They didn't get a big bonus, they didn't have variable compensation.

We had been reading the wrong business books and didn't understand incentives.

Often incentives are like a magnet that drives your employees and your team to the result that you want.

Negotiation is often something that we think is repeatable.

An example of that is we once bought a business where the founders didn't really like tough business negotiation, and so they'd left a lot of their contracts and not renegotiated them for five plus years.

When we bought the business, we were able to renegotiate it with much more favorable terms, and that worked out very well for us.

The other thing is just identifying new business lines that are proven out by other companies.

That goes back to that email example of you can have a business that's very successful, that is a web news site, and they don't have an email newsletter.

Adding that email newsletter, that's a whole other branch of potential advertising revenue and opportunity.

Adding that could be the sort of thing that grows the business significantly.

Sunid asks, could you also recommend your favorite business biographies?

I don't just read business biographies.

I like to read all sorts of different ones.

These are mostly business, but there's a few other ones, so I really loved Shoe Dog, which is Phil Knight's autobiography.

He's the founder of Nike.

That was really incredible.

Buffett, The Making of an American Capitalist by Roger Lowenstein, which is I think the best biography of Warren Buffett.

The Tiger Woods biography that just came out by Jeff Benedict, I guess a year or two ago, but that was phenomenal.

One of the things I love about biographies is that often all you see is the success.

You see somebody who's profoundly successful and you go, man, I wish I was like them.

What you don't see is the sacrifice that these people often have to go through to get what they want or they thought they wanted.

Another great sports one is Open by Andre Agassi.

Again, it turns out he actually hates tennis and the only reason he became a tennis star was because his dad was brutal and forced him to do it.

Business-wise, I also really liked The Gambler, which is about Kirk Kirkorian, who is the longtime owner of MGM and a lot of hotels and a lot of interesting businesses.

Just a crazy story about a guy who starts out with nothing and builds an empire by taking a lot of big gambles.

Maybe not the kind of gambles I would take, but it's a great story.

I can link some of these on my Twitter.

Handigool asks, what is your biggest failure and what did you learn from it?

I think the dumbest thing that I've ever done is started a restaurant.

I'm originally a designer and I've always loved food and loved restaurants.

I've always said, man, it would be so fun to design a restaurant.

I got together with a couple friends, my business partner, Chris, and my best friend, Rajeve. We decided we were going to start a New York pizza restaurant in Victoria, Canada, where we live.

It's really funny.

I think people often don't realize what the true sacrifice is to achieve something and running a restaurant is no different.

People think about how fun it will be to design the menu, to taste the food, to design the space and choose the lighting and all that kind of stuff.

It's a little bit like saying, man, it's going to be so much fun to have a baby.

All I'm going to do is kiss its little feet and take photos of it and ignoring the reality of diapers, crying, no sleep.

With a baby, obviously, it's meaningful and pays a million intrinsic dividends.

With a restaurant, I would say it's one of the hardest, most brutal businesses to be in.

We had so much hubris coming into it.

We're tech entrepreneurs.

We'd always been successful in that world.

We thought, well, it can't be that complicated.

I'm sure that we can bring our business expertise to it.

What we learned was that real businesses and what I mean by real is brick and mortar, grind it out, businesses are incredibly, incredibly difficult.

We were shocked by how low the margins were.

We would have a 1% to 5% net margin at the end of the day.

We realized that you can't scale infinitely like a tech company.

If you want to expand in any way, you often had to buy equipment and that equipment had a lot of cost.

It was really, really difficult to attract the right talent.

This is true of the restaurant and service industry in general.

It's very transitory.

People often are doing it because they're between jobs or they're going to school or they can't find another job.

It was very, very difficult to get employees that were bought into the vision and excited to be there.

Really, it's high touch as an owner of a restaurant, if you're not in there every single day watching things, training your staff, building process, you lose everything.

You lose your margin because it's just so razor thin.

The difference between making money and losing money in the restaurant industry is like how many towels you buy for the bathroom.

It was actually an incredible experience because while we lost a lot of money and ultimately it was a complete embarrassing failure, it actually made me really appreciate and double down on internet businesses.

With business biographies, there's this huge benefit of seeing what other people have done, seeing their mistakes and then avoiding those same mistakes for yourself.

This is one of those ones where I just had to stick the fork in the electrical socket.

Nina asks, what is one core personal attribute that you look for when you hire somebody?

For me, it's scrappiness.

Do they move things forward quickly or do they get stuck in the mud often?

Do they figure stuff out?

Do they Google stuff?

Do they just keep moving?

One of my biggest frustrations is when I hire somebody and I hear from them that they had gotten stuck on a step and it happened two or three days ago and so they just kind of sat around aimlessly.

I love people who have urgency where all they want to do is push the business forward or the idea forward and they like tangible results.

Now that's my personality.

I always go, well, why can't we move it this quickly or why can't we launch this business in a week?

I'm always very aggressive.

That said, the downside to hiring those people is they're not often great at follow through and so I love hiring those people early on in an idea but I always know I'm going to have to hire the steady eddy folks to actually do the operations and the follow through on it.

Charlie asks, you don't live in a tech hub.

How do you make connections with other entrepreneurs?

So I live in Victoria, Canada.

I actually have a wonderful group of friends here that I've discovered over time and gotten to know and some of them have tech businesses and some of them have businesses completely outside of tech.

One thing I've realized is that entrepreneurs and investors all seem to have the same problems.

I was in entrepreneurs organization, which is like a business group about 10 years ago and I joined a discussion group and the people around the table owned woodworking shops, one guy owned a puzzle company, internet marketing, all these things that actually didn't really relate to my business and going into it, I was thinking, I'm not going to have anything in common with these guys.

I can't learn anything from them and I realized every single person had the same problem.

It was the bad employee, process problems, issues with marketing, whatever it was and that ultimately you can really connect deeply about these problems with anyone in any business.

So even though I don't live in a tech hub, I can certainly talk to people in person about this stuff and I've found over time that there's a lot of great tech entrepreneurs living in Victoria and then the other thing has just been cold emails.

I've gotten pretty good at figuring out what people's email addresses are and when there's someone I admire, I'll just write them a two line email and say, hey, here's who I am.

I'd love to meet you.

One of the cool stories in that regard was I read a New York Times piece about Dan Gilbert and I don't know if you guys know, but Dan runs Quicken Loans, which is the largest mortgage business in the United States and he's also based in Detroit and in 2008 when Detroit went bankrupt, Dan went and bought a ton of downtown Detroit real estate and really worked hard to reinvigorate the entire city.

And so I read about what he was doing and I thought it was super cool.  
And so I just sent him a cold email at two in the morning and like 10 minutes later I got an email back and he said, come to Detroit, let's meet.  
And so about a month later, Chris and I flew to Detroit and we spent two days touring Detroit and hanging out with Dan and getting to know everybody that he worked with.  
And Dan's like, Dan's a billionaire, Dan's worth like six or eight billion dollars or something and he's this nice, normal Midwestern guy.  
And so we've just had really cool experiences like that just by cold emailing people.  
Joel asks, what percent of your investments are your own capital versus outside money and what type of outside capital?  
So almost everything that Chris and I own is our own capital from tiny.  
We also have done bigger stuff where there's deals that were just a little too big for us at the time.  
And so we brought friends along for the ride.  
At that point, we never charged fees or carry or anything.  
It was more just, you know, hey, let's experiment with working with other people.  
That said, we've been in the process of raising a fund given what's happening in the world.  
We think that in the next six to 12 months, there's going to be a lot more opportunities than we're going to be able to tackle on our own.  
So that'll be an interesting experiment.  
We'll see how that goes.  
Zane asks, during your time at MetaLab, what was the best way you acquired clients?  
Munger's got this great quote, which is, the best way to get a good spouse is to deserve a good spouse.  
So if you want to find a good partner, you want to be a good partner, you want to earn a good partner, and you want to be a good person and treat people well and do all the things a good partner would look for.  
And the same thing goes for clients and services businesses.  
So for us, it was do good work, do what we say we're going to do, treat the client well, and then find creative ways to share that work publicly.  
And also, we did this thing, we were always a little controversial.  
For example, in 2009, I redesigned Zappos.com, and I wrote this big post.  
It basically said, hey, look, like Zappos website's kind of ugly.  
It could be a lot better.  
And I wrote an open letter to Tony Shea, the CEO of Zappos, and that got us a lot of attention very early on.  
And through that, we ended up getting a bunch of larger companies as clients, and we just kept moving up the food chain.  
But we've never done traditional marketing or really until recently even outbound sales.  
It's always been about building reputation.  
And the other piece of advice is we always did the kind of work we wanted to do long-term.  
So one of the mistakes we see is a lot of agencies will say, we're going to start local and we're going to work our way up.  
I always think if you want to work with the world's best companies, you need to start

by working with the world's best companies and really focusing.

And so we always stuck to only doing product design, so building mobile apps and software and stuff.

And we only did it for companies where the portfolio we were building would resonate with our future customers.

So that meant working with startups, showing that startup work to Fortune 500s and then Fortune 500s hiring us and then sharing that work on.

So it's kind of this virtuous feedback loop.

Joaquim asks, Buffett suggests reading 500 pages a day.

Are you applying this and what are you reading?

What's your opinion on this?

So I might read that much via Twitter and news and that kind of stuff, but unfortunately it's not deep reading.

It's not super focused reading.

I used to read two or three hours a day.

I would just plunk down on the couch from like five o'clock until nine o'clock and read a book.

But since having kids, I found it a lot more difficult to work in that amount of reading.

So I do a lot of audiobooks and podcasts.

I read a lot of long form journalism.

And then I often will read for say an hour or two before bed.

But if I'm being honest, it's so hard to really get that deep reading time in and spend three or four hours a day as I would like to.

I hope as my kids get a little older, I'll be able to do a lot more of that.

Ryan asks, as a person, what are some ways that you've evolved over the years?

Any insights or wisdom you've gained around perspective?

So I'd say I'm a lot less focused on external stuff like travel, possessions, clothing, all that kind of stuff.

Now that was a result of me really wanting that stuff.

I grew up in Vancouver and I went to school with a lot of really rich kids and they always had all these fancy things.

Their parents drove nice cars.

They had ski chalets and Nintendo and I really wanted all that stuff.

And so it motivated me to make money.

And once I started making money in my 20s, I went out and I bought all that stuff.

I bought fancy speakers and a nice car and fancy clothes.

I'd go traveling to Europe.

And I actually found that, I mean, the clothes and stuff really had no impact on my happiness at all.

And the travel I found actually made me less happy.

I actually really love a routine and predictability and I love the challenge of not just always obsessively looking forward to the next trip.

And I also realized that when I was traveling, I was very often much less happy.

I was poorly rested.



I would get sick.

I was stressed out.

I don't love traveling that much.

And one of the things I noticed was that before I'd go on the trip, I was excited about it, but anxious.

While I was on the trip, I was kind of unhappy and stressed out and anxious.

And then after the trip, I would misremember.

So after the trip, I'd go, wow, wasn't that awesome?

I had that great trip to Europe.

But when I really thought about it, I was like, wow, I actually didn't enjoy that that much.

So my FOMO has calmed down a lot, now being a boring 35-year-old dad.

I've realized that really, at the end of the day, all that matters is friends, family, kids, day-to-day habits, community.

And the more I talk to people who are at the end of their life that are old, the thing that brings them the most joy is not any kind of achievement of wealth or work or anything like that.

It is having a close group of friends that they do activities with and having grandchildren and children to spend time with.

My wife is Persian, and her grandma hosts these huge dinners, and they have a big Persian family.

And she had five kids, and then all those kids had a ton of kids.

And so she has like 25 grandchildren or something crazy.

And I think she's cracked the code.

She just looks happier than anybody else.

And so my hope is that I just have a lot of kids, and they have lots of grandchildren, and that everybody's healthy and happy.

On the money side, I really just look at money as a way to protect the people I care about and protect my day-to-day life, give myself freedom and to make the choices I want and spend my time how I want.

And I also love it because it allows me to get access to interesting ideas and exciting groups that I wouldn't otherwise have access to.

By starting new companies, investing in companies, by doing things publicly, I just find I meet so many more interesting people, and I get to work with them and collaborate with them.

So that's kind of what drives me to make money.

It's about the protection of my freedom and my family and all that kind of stuff.

How are you able to start Tiny Capital with money from an agency which usually have very low margins compared to product companies?

Answer to that is really simple.

We got really lucky and started an agency that serviced companies in San Francisco where we could charge San Francisco prices, but from a location, Victoria, that allowed us to have good margins.

So it was much more affordable for us to operate in Victoria with the same number of people making the same amount of revenue based out of San Francisco.

I don't even know if we'd be in business.

I don't know if it'd be sustainable, but doing it as a remote team or from Canada has been much more profitable than a typical agency.

Another question.

I don't know who wrote this one, but what's the required mindset shift to go from running one business with a small team to owning 20 plus businesses with delegated management?

I often think about that great quote, fish for a man and he'll eat once, teach a man to fish and he'll eat for a lifetime.

And I think the same is true with delegation.

If you ask your employee to do something, they don't do it well and you jump in and put out the fire, they're never going to learn.

And so what I found was that delegating something, having the employee mess up and teaching them

how to solve it.

And then from that point on, you can really leave them to continue to do that.

I call that the delegation barrier.

When I broke that down for the first time, I realized that I could actually just teach somebody something once or hire somebody who'd already done it and let them do that thing on a go forward basis.

And it was just one less thing I had to worry about.

And yes, sometimes the results are not quite what I would have hoped for, but on a whole, the performance is so much better than if I tried to do everything myself.

Really the formula is good people who you trust plus an alignment on strategy.

So we all agree the kind of general direction we're moving and the goals of the business and then incentives to make sure that when you win or the business wins, they win as well and they're rewarded for that and that'll result in the outcome you want.

Another question here, we all know that you have kids.

If you were to have them internalize just one lesson or idea, what would that be?

I would say the habit of teaching yourself things when you're curious or you don't understand something instinctively Googling it, picking up a book, watching a YouTube and having the confidence to try and fail and try again until you get something.

I actually really didn't learn this until probably my twenties, but this idea that with enough practice, most people can get to a reasonable level of proficiency quickly.

But when it comes to cooking, for example, as long as you have a good sense of smell and taste and you can use your hands, you can get to a point where you can be a pro chef.

It's just about spending the time.

One thing I get a lot of satisfaction out of is using the Pareto principle, which is this idea of getting 80% of the results with 20% of the effort.

My favorite thing in the world is, for a kitchen example, I love cutting an onion the wrong way and then going, oh, hey, I'll go on Google and I'll learn the perfect way to cut an onion the same way a chef does, and I just save myself a minute every time I cut an onion.

I just love that kind of stuff.

So I'd love to really engender that in my kids.

Another question here, when you built your house, what were the biggest frustrations you came across and what would have made things easier?

Man, so many issues with the process of building a house, there's a lot of incentives problems. So if you think about it, a general contractor who's the person you pay to basically run the project for you and get your house built, typically they work on a cost plus model, which means that if the house costs a million bucks, they're going to get paid a percentage of that for managing it.

So let's say if it's a million bucks and they get 5%, they get 50 grand.

So here you get into incentive caused bias where they want to win the project in the first place.

So they have an incentive to give you the lowest bid possible to win the work.

And then they're actually incentivized to make the house as expensive as possible within reason.

They don't want you to hate them.

And I don't think they want to do anything obvious, but generally if the project goes over budget, it's really good for them because they're getting a percentage of that.

So another question here, I want to skip building an agency and directly build my own version of tiny.

Knowing what you know, how would you do that and what minimum resources would you need to make that happen?

I think that if I just started out when I was 19 and somebody had handed me a million dollars and said, go be an investor and invest this, I would have burned my money and I wouldn't have known what I was doing.

I think that to be a good investor, you often need to have had direct business experience.

And I think that you're just so far ahead of other investors when instead of having an MBA, you've actually ran the race.

So I always think you should really get in the trenches and experience real business before you start buying businesses because otherwise you might look at a really bad business and think it's a good business or think it's cheap.

We can often look at a business and instinctively know whether it's a good or bad business. And we know what's simple and what's not.

I think a lot of investors do what I call spreadsheet business where they look at a business as a spreadsheet and they say, oh, okay, well, if we just increase the marketing budget by 500K and then we increase the sales budget by a million dollars, revenue will increase by X percent.

And in reality, business is just not like that.

Businesses are complicated.

Businesses are people.

Businesses are a culture.

And it's the sort of thing that if you haven't been in the trenches and you haven't experienced that and run a business, you just won't know.

So I would worry that you're going to make some really bad decisions if you start now.

And I'd really recommend you get more experience before you go out and start buying businesses.

Another question, what is the worst advice you get from people in terms of how to live

your life or be successful in business?

Also, what's the best advice?

One of the worst pieces of advice that I hear is that people should take risk while they're young, while they're in their 20s and they can.

I see a lot of people taking absolutely insane risk with stock options.

And I really just don't think that they would do it if they understood the true odds.

They would never buy a house that had a 95% chance of failure.

And if you think about your 20s, they're kind of a precious time.

They're an opportunity to work really, really hard, often before you have kids and a lot of different commitments and stuff.

And so it's kind of your human capital.

It's your time to invest in your future.

And if you invest into something that has a 95% risk of failure, like startup stock options, to me, that seems totally insane.

You want to be taking bets, but you want to be taking bets with good odds where if you lose, you lose a little.

And if you win, you win big.

So I always think that if you want to start a startup, you want to start a startup where you're quite confident that in the next two to four years, you can make \$100,000 to \$200,000 of profit for yourself.

When people ask me this, I always tell them, just get that \$100,000 to \$200,000 of profit.

Because once you have that and it's sustainable, you're just set for life.

There's no greater freedom than having your rent and your food and your basic needs taken care of, especially in a business that's easy to run or automated.

And so my advice would be, if you're the sort of person that wants to start a business, start a business that's boring, predictable, profitable, and easy to run.

And even if you deem it a lifestyle business versus the, you know, we're going to hit it out of the park and turn into a billion dollar business.

The other thing is just getting into the habit of reading constantly.

One of the things that blows my mind is I meet all these people where they've been running a business for, you know, three or four years, and they've just never picked up a book.

They've never realized that they can skip the line by reading about what other people do and what the best practices are for their industry.

And so often the difference between the successful entrepreneurs and investors and the ones who aren't successful is simply just getting into a habit of reading and learning all the time.

Well, that was really fun, guys.

That's all the questions that I was able to get to you today.

So I wasn't able to get to everybody, but hopefully we can do this again sometime and we'll get to the rest.

And thanks so much for listening.