



The Our American States podcast—produced by the National Conference of State Legislatures—is where you hear compelling conversations that tell the story of America’s state legislatures, the people in them, and the policies, process and politics that shape them.

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Kevin O’Leary: Lessons From the “Shark Tank” | July 20, 2022 | OAS Episode 164

Ed: Hello and welcome to “Our American States,” a podcast from the National Conference of State Legislatures. This podcast is all about legislatures, the people in them, the policies, process, and politics that shape them. I’m your host, Ed Smith.

KO: *Policy is the infrastructure by which we grow our companies.*

Ed: That was Kevin O’Leary, an investor, best known as a host of “Shark Tank,” the Emmy award winning capital reality program. He is my guest on the podcast. O’Leary is a keynote speaker at NCSL Legislative Summit. He will appear on August 3 at 3 p.m. at the Colorado Convention Center in Denver. O’Leary explained why he believes sound public policy is the foundation of dynamic economy, what lawmakers can learn from the entrepreneurs on “Shark Tank,” and why it’s critical to have people who are successful in business get involved in government. Here’s our discussion:

Kevin, welcome to the podcast.

KO: Great to be here. Thank you very much.

Ed: Kevin, it’s great to have you on the show. Let me start with your appearance at NCSL’s Legislative Summit. What’s the key message you want to share with this bipartisan gathering of state lawmakers, legislative staff and others?

KO: My number one message is going to be about how important policy is in driving the economy. And I have come to the conclusion, I’ve been an investor now for 40 years, nothing affects outcome more than policy. And so, we can talk about partisan or bipartisan politics, but that has nothing to do with policy. Policy is the infrastructure by

which we grow our companies and it's so important that this becomes a number one agenda item. The interface between the private sector and the public sector now is more important than ever because we've come out of this unusual period this pandemic, which forced so many changes in our economy, and what I'm learning, which is so fascinating, many of these changes are for the better of our economy. When I look at the, you know, the close to 50 private companies that we manage or are investors in, pre-pandemic and what's occurred to the ones that have survived post-pandemic, there is a new version of America. It's called America 2.0 a digital version of our country's economy. And so many of the, you know--66% of the GDP of our country is small business--\$50-to-\$500-million-dollar companies that have completely converted to being more productive. And now at this point, we have to make sure that our policy catches up with them so we can continue to flourish.

Ed: Let me ask you about a notion that has circulated more in the last few years but has always been kind of a debate and that is the notion that government would benefit more from business minded leaders. So, does government need businesspeople or is government so fundamentally different in terms of rewards and motivations and the leadership style the two don't mix well?

KO: No, I've come to the conclusion the two are basically essential. And I would argue that when you think about the role of the president, it's hard to find the right talent to maintain and grow a really stable policy. And so, you are looking for people with execution skills. And so, you know, very often people say to me, well, you know, you can have a journalist as a finance administrator. I don't think that's a good idea. I'd rather have someone who has run an international-scale financial services company take time and provide service to their countrymen and come and work for government. And then you know there is a great model for this. It's Switzerland. If you are a successful CEO in business, it's assumed that you will give back to your country one day to serve in government. Take the skillset that you had and apply it to making your country better with executional skills. So being a manager, a proven manager, is a very good thing for political, you know, operative. And I think you see this in ambassadorships. You see this in execution around different mandates, whether it be technology or, you know, transportation or logistics or health care. You want professionals that know that industry inside out, not just career politicians. And I've always felt that that is the real skill of the executive is to figure out who has the chops and who doesn't. And bring them in. You don't have to agree with their politics. You don't have to agree, you know, which party they come from. It doesn't matter. What matters is do they have executional skills. Regardless of the discipline. They could be a great artist and they could come in, you know, in a mandate that has a lot to do with that. But the point is proven executional skills are what makes great administrations.

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Ed: I'm also curious about the appeal of running for office. What do you find attractive about it?

KO: You know I'm going to answer it from my personal experience. There comes a point in your career when you think you can do something beyond just you know running a company that maybe you could take on a leadership mandate and maybe you could have a better outcome than what you see. And that was my motivation. But I will say one thing about politics that I have come to respect, it's the hardest gig in the world. It is the hardest and in this sense. You know I'm fortunate that millions of people know who I am. That helps you in politics. That helps get you on the ballot. That helps you raise money. And I have a massive social media following and many people like or dislike me based on what they know about me. But in politics, it's a whole new ballgame. Fifty percent of the constituency, the voter constituency, hates you. It's a whole new way of living and I've experienced it myself. And it was extraordinary, and I have a such a deep respect for anybody that runs for leadership in any mandate. I don't care if it's state. I don't care if it is federal. I don't care if it is city. You have to experience that yourself to understand why you should respect that. Regardless of the person's you know wealth or background or where they came from, it's made me completely bipartisan in my respect for the individual politician. Now, I don't agree with many policies that I see, but that's a different thing. I'm talking about the individual that's willing to serve. They will always have my respect.

Ed: Let me talk a little bit about your high-profile job on "Shark Tank." Do you think there are things that lawmakers can learn from "Shark Tank?"

KO: Yes. I think "Shark Tank" first of all has become an extraordinary platform. I can assure you that the producers MGM, Sony, ABC, Disney. We had no idea what was going to happen. And what happened is multiple generations have learned watching "Shark Tank" about business and it's made me being an entrepreneur popular and it should be that way because that is the American dream. That is the essence. But at the same time, it's a cruel master in the sense that not everybody makes it. And that the pursuit of entrepreneurship, which I think has been well documented over the decade plus that "Shark Tank" has been on, is it is not a destination. It's a journey. It is a hard journey. It is not for everybody. It is very, very difficult. "Shark Tank" also proves that great ideas are a dime a dozen. Executional skills are really, really hard to find. And you need both to be successful. And so, I've certainly learned as an investor you have extraordinary successes on "Shark Tank." Sold some of our companies, even one last week, for close to \$100 million cash, Basepaws, very successful cat DNA testing. Who would have even thought that would be a huge business and it is. Plated, \$340 million to Albertsons. Both

of those were my deals. I'm very proud of them. But the point is, we create the American dream on television. We document it and it is real. And I think there is a place for that for people to understand supporting entrepreneurs is bipartisan. Good policy that supports small business is really good politics. That's what I say.

And when I have a chance to go to the Hill which I'm going on Wednesday again. I'm spending a lot of time in Washington around crypto policy; I pound the table on this on a bipartisan basis. Help the small guy start a business and the American economy will be second to none.

Ed: While we are on that topic, I wonder if you have a favorite moment from that show or a favorite entrepreneur who came on that just really stuck with you?

KO: One thing I've learned over the 13 years and all the companies that we've invested in, 75% of my returns have come from the ones run by women including this Base Paws things. Anna who is the CEO, our latest success. I have been so fascinated by this outcome that I asked my team and our auditors to go back and look at seven year's worth of data. And I said what is it about women entrepreneurs that get such an extraordinary outcome, and they don't even know each other, and they are from different sectors and different states. There is no connection with them other than the outcome is the same – really good. This is what I've learned, and I think it's an important lesson for all executives, all politicians, everybody should learn from this. And I'll give it to you. We went back and looked at quarter after quarter every known business you measure every 90-day period you put out your quarterly results. And the companies run by women hit their targets 95% of the time, but their growth rates in aggregate they were only targeting 15% annual growth, which is OK I thought. And then we looked at the companies run by men. They only hit their targets 65% of the time, but their aggregate growth rate annualized that was 30%. So, I said when we looked at the data, so what. What does this have to do with anything? I'd rather go with the high growth. They said, no, you don't, because when you dig under the onion, you start peeling the layers. What you find out is and this is, it's almost like the Tom Brady model. If you were playing on the New England Patriots during the period he was constantly winning and still is, you didn't want to leave the team. You want to be part of that team. You didn't want to get traded away. You wanted to get the ring every year. The Super Bowl was always on your mind because you thought you could get there. And in business is the same. When you constantly hit your targets, you end up with a very sticky culture of team. People work for many reasons. Money being one of them. But also, being part of a winning culture is a very powerful sticky factor. So, what happens with these women led companies is they have virtually no turnover. So, the men or women running logistics or compliance or accounting or marketing or sales whatever it is, they stay and if the team is cohesive, they return capital a lot faster. And I thought to myself, that

means people should be setting goals they can achieve. And we've actually proven this works. We went back to our companies that have these ridiculous testosterone driven sales targets and goals that were unachievable in 65% of the time and basically modified it. Said let's lower these targets and see what happens. And within two years, cashflows were up 15%. So, my message to that is think about setting your targets in a way that they can be achieved. And that goes for politics. That goes for business. That goes for parenthood. That's good if you are a military leader. Whatever it is. Set targets you can get to.

Ed: Thanks Kevin. We are going to take a quick break and come back with the rest of our discussion.

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I'm back with Kevin O'Leary talking business and politics. So as someone who appreciates the value of marketing and communications in building a successful business, how do you think legislatures or government in general does at selling its accomplishments?

KO: I'm like everybody else looking at how harder things has become but I'm also a realist. The challenge we have right now is we are still the envy of the world in terms of the economy. It's still number one on earth. And I have seen lots of agenda items trying to contort the mandate of American business and corporations. The most successful companies on earth being asked now to provide solutions to all kinds of problems society has. To turn their mandate away from taking care of customers and employees and shareholders and all of a sudden be responsible for everything. Everything that is wrong with America has to be fixed by a corporation. That's not going to work. It never has worked. It won't work now. And my guess and my message when I speak is going to be the way you solve try to change the destiny of the American economy is with policy. You do that with policy. You ask government to set the rules and let companies perform to the best of their abilities to serve their primary constituents which are clients or customer number one. Number two employees and number three shareholders. You need all three. You have to take care of all three to be successful. And that's it. That's all they can do. That's all they ever could do. They can't solve societal problems. People expect them to do that. The way you solve societal problems is you set policy and the way you test the mandate of a policy it happens at the midterms. It always is this way. It always has been. You don't care who the incumbent is. The midterms are always a vote on the mandate or a proxy to how happy the people are with the policy. And every incumbent knows they are going to lose seats midterm.

I fear something else is going to happen in this midterm. This is going to be a brutal midterm for the existing incumbent. And I don't want to be political. But I deal with voters everyday as customers. I have millions of followers and I stay out of politics. I do that intentionally. I stick close to policy because that is what matters to me.

Ed: Let me ask you about negotiation. Of course, a big, big part of business. A big, big part of legislatures. I wonder what you've learned as a negotiator that legislators could use.

KO: My simple lesson over the years, a great negotiation is when both sides leave the table pissed off. When you have to find compromise, you get a deal that sticks, and it works. And I've learned that now. In all of the situations that I deal with in every day, I leave saying to myself I left too much on the table. I left too much on the table. And then I wait a year or two and I realize it was the right thing to do. Compromise is the glue of the outcome. Because both sides got something, they want to keep something. And these deals are my most successful now. So, I'm far different. I don't need every last dollar anymore. I don't need all the power. I don't need to be number one on the sheet. But whatever it is I'm negotiating; I've become way more successful with that mandate. And I'll tell you something else cause you bring up such a great point here. A couple of years ago one of my female CEO's--you know that old adage if you want something done give it to a busy mother. She was brilliant running that. She was she still is. I would invest in anything that she does, but she said to me once. We were sitting around in Miami having lunch and out of the blue she said you know, Kevin, you talk too much. You should shut up and listen. And I said why are you saying that. She said count your minutes that you are talking during your day. You talk two-thirds of the day, and you listen one-third. Reverse the ratio. Shut up and listen. Damn was she right. My goodness was she right. And that's what I've done. I don't talk. I listen. And the power you get from the knowledge listening to the other side in the negotiation is how you get a good outcome. But most people and this is almost ego driven can't stop talking and I was one of them. Not anymore. This is the essence of negotiating power is to shut up and listen. And there's lots of politicians out there that could take this advice to heart.

Ed: We had an interview with Bertie Ahern a few months ago talking about the anniversary of the Good Friday accords. And he said something very similar about walking away from the negotiation where both sides felt they had won, but of course that means both sides also gave something up so. I think he was on that same page with you.

(TM): 20:32

KO: Well, he's right. He's right. I totally agree with him. You know, I'm in the middle of something making me think of this morning I spent two hours on it, and I was telling my team guys we got to give up on some of this stuff. We are going to have to just give up

because we are not going to get what we want, and I don't want to fight forever. We got to resolve this stuff. You know I've found that this kind of negotiation is how you stay out of litigation, which is so painful and it's such a waste of energy and just so expensive. I mean there are so many examples of that. And I'm thinking about the litigations about to happen on the SEC regarding the issuance of an ETF, bitcoin-based ETF. I've never thought suing the regulators is a good idea. It would have been such a better opportunity to sit down and compromise if that was a possibility. Whatever could have been done because that's a whole sector of the economy we haven't even talked about yet that I'm a huge believer in.

Ed: I've heard you discuss crypto on a couple of business shows so, sure, as we wrap up, why don't you share your thoughts. I think it's something a lot of us are interested in, but maybe also a little scared of.

KO: Yeah, and they should be because it's an unregulated asset, but my overall belief is that in the next decade crypto and financial services around crypto will be the 12th sector of the economy. And the reason I believe that is it may be a different way to look at it, but I teach, a lot of guest lecturing at places like MIT and Harvard and Temple and other colleges, and it's generally the graduating cohorts of engineers because they are--about a third of those classes historically will become entrepreneurs and I like to see their deals early. I'm always interested in meeting those men and women and they are from all over the world. You know, if you look three years ago, most of them would say, well, I'm going to go work in the S&P 500 somewhere as an engineer or a third of the class will start their own company. That's not what's happening today. The majority of the really good ones, the ones that are the hottest hands over keyboards. I'm talking about engineers that code now. They all go work on the blockchain. They leave the country. They go to the Caribbean. They go to the United Emirates. They go to countries that are allowing, in Switzerland, France, Germany, Australia. They leave the United States. The brain drain is unbelievable. These are the smartest kids you've ever met. Look at Sam Bankman-Fried. He is 30 years old, and he is worth \$22 billion. I have to disclose I'm a shareholder in his company and also a paid spokesperson. But he doesn't work in America. We don't have any policy for him to work on here. He works on an island. And so do all the other ones. So, when you have that much intellectual capital, leave it. You got to put up a red flag and say to regulators wait a second. Like do we want all of this knowledge and all of this productivity to leave our economy. I don't think so. And so, we are falling behind and that's my message when I go to the Hill. I'm going again on Wednesday. I'm very interested in what Toomey is doing before he retires on in Hagerty's bill. And what Lummis is doing with Gillibrand. These are great bipartisan mandates that they are pushing and coming together with very good policy. And I've said to them and I'm not the only one who visits the Hill that many of us involved in this

industry are going on there to encourage them to keep pushing these mandates forward.

Ed: Kevin thank you so much for taking the time to do this and we look forward to your speaking at Legislative Summit. Take care.

KO: Take care. Bye bye.

Ed: And that concludes this episode of our podcast. We encourage you to review and rate NCSL podcasts on Apple podcasts, Google Play, Pocket Casts, Stitcher or Spotify. We also encourage you to check out our other podcasts: *Legislatures: The Inside Story* and the special series *Building Democracy*. Thanks for listening.

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