In the Trenches

Episode Transcript

Guest: Ronnen Harary — Co-Founder, Spin Master | No Experience Necessary

STEVE 01:29

Hello, everybody, and welcome to another episode of *In the Trenches*. I am your host, as always, Steve Divitkos. Today, my guest is Ronnen Harary, the co-founder of Spin Master. For those of you who might be unfamiliar with the company, Spin Master is now the fourth largest toy company in the world, behind only Lego, Mattel, and Hasbro. Ronnen co-founded the company with his two business partners in 1994 and took the company public in 2015.

It now boasts a $2 billion market cap and generates $2.3 billion — yes, that's billion with a B — dollars of annual revenue. In our conversation today, we talk about the four major themes that stuck out to me from having a better understanding of Ronnen's career. First, we talk about youth, inexperience, and how that frames the way that we ought to think about risk. Ronnen regularly argues that youth and inexperience are themselves major advantages.

This section should be particularly useful for those of you currently contemplating whether or not to take the entrepreneurial plunge. Second, we talk about tail events. For those who might be unfamiliar with this nomenclature, tail events basically refer to a small number of outcomes that generate a disproportionate share of results. In Ronnen's case, his tail event was PAW Patrol, a children's TV show that has now generated over $14 billion of cumulative revenue since launch.

Which is many multiples more than Spin Master's next most successful franchise, which itself was also a huge success. Third, we talk about relationships between business partners. We talk about how he thinks about what makes for a great partnership, the merits and risks of going it alone, and the merits and risks of entering into what I will refer to as an imperfect partnership, which is something that I unpack later in today's episode.

And finally, we discuss success, liquidity, and the question of what now. Here we explore how his relationship with risk and ambition have evolved after he arguably doesn't need to take financial risk anymore and has largely achieved most of his original ambitions.

But before we get into any of that, allow me to conclude with my usual reminder that I am an active investor in search funds and the small businesses that they acquire through my firm, Mineola Search Partners, which is now investing out of its recently launched second fund. So if you're looking to raise a search fund yourself, or if you have an equity gap, I'd certainly welcome the opportunity to speak with you. But for now, I hope you enjoy today's conversation with Ronnen Harary.

STEVE 04:11

Ronnen, welcome to the show.

RONNEN 04:13

Thanks, Steve. Pleasure to be here.

STEVE 04:15

My seven-year-old will be thrilled that I am speaking with you — the person who brought us PAW Patrol — and we will get to that in due time. But for those who are less familiar with your story, maybe you can just start by telling us about yourself, a high-level overview of your career and what you're doing today.

RONNEN 04:36

So as you said, my name is Ronnen Harary and I co-founded a company called Spin Master back in 1994. We started out with very humble beginnings, marketing a product called Earth Buddy, which was kind of like a Chia Pet in the size of a softball. You put it in water and grew grass for hair. That was our first product. Our second product was Devil Sticks, which is a three-piece juggling set for kids. And then we had a choice between going into horticulture or toys. So we decided to go into toys.

And we started to work with all these toy inventors — there's a wonderful cadre of about 200 inventors in the world that come up with all these ideas. We tapped into this incredible brain trust of inventors who are not on your payroll. The way it works with toy inventors is that if you license an idea from them, you pay them a five percent royalty in perpetuity. And so we embarked upon that, and our first big toy was a product called Air Hogs. And then we followed up with electronics and got into different categories.

And we eventually found ourselves producing TV shows, digital games, and movies — and we consider ourselves a full-fledged children's entertainment company with three creative centres: toys, TV, and digital games. I stepped down from co-CEOing the company after

27 years, in 2021, and took a long sabbatical for a year and a half, which I highly encourage anybody to do at some point in their journey. I'm very passionate about sabbaticals and marking off time to do other things in life, because I think if you take the sabbaticals, you can actually go the distance. But that's a philosophy. And currently I'm chairman of the board, I spend 30 percent of my time still in the business, I run my foundation, and I just wrote a book and I'm out marketing it.

STEVE 06:26

Fantastic. Can you give us a sense of the company's size today?

RONNEN 06:31

Yeah, currently we're a publicly listed company. We do just over $2 billion in sales, and we have about 28 offices around the world and multiple brands and franchises.

STEVE 06:41

So you were nice enough to send me an advance copy of your book, which I did read. And first of all, I really enjoyed it — I think that's worth saying. Thank you. There was, naturally, as you would expect, a lot included in the book, but I extracted from it four major themes, and that's kind of how I'd like to structure our conversation today. I'm just going to run through the themes before we jump into the first one.

So the first one — which I think is kind of pretty evident from the book's title, *No Experience Necessary* — is basically youth, inexperience, and how that should frame how we ought to think about taking risk. That was clearly theme number one. Theme number two was tail events — basically a small number of events that explain a disproportionate share of outcomes. In this case, PAW Patrol seemed to be your tail event, and I'd love to dig into that. Theme number three was partnerships and your relationship with business partners. And I know that you have a lot of history with that. And then finally, arriving at the top of the mountain — the success, the liquidity, and the "what now" question.

So those are the four themes that I really extracted from your book. Maybe let's start with theme number one: youth, inexperience, and how those things should shape how we think about taking risk. I think a lot of prospective entrepreneurs spend a lot of time asking themselves, "Am I ready?" — whatever the word "ready" means. And your book basically argues, at least from my perspective, that youth and inexperience are actually advantages, not disadvantages to be overcome. So I'm curious: as you look back on your career and your successes, what percentage of your successes came from things that you learned before starting Spin Master versus things that you learned only because you had started?

RONNEN 08:30

Yeah, I think — first of all — you only get the realization of the power of your twenties once you get into your fifties or late forties. So it's almost like a retrospective. What started to dawn on me was how things came together for us. Things like: everybody's rooting for you when you're young. People want you to win. They don't see you as competition.

STEVE 08:43

Wasted on the young, as they say.

RONNEN 08:59

There's a whole thing about the power of not knowing — the ability to not intellectualize things and to go more with your gut and your intuition. And sometimes when you know a lot, it can actually force you to overthink things and then not take the risk in itself. And so for me it was all about those insights. I think for us, our whole journey was all about first making the decision that we're going to go into business for ourselves, and then once we decided to go into business for ourselves, we put a couple of parameters around it. We said we want to build the company as big as we can, we want to be open to ideas from wherever they come from, and we're going to focus on kids. And wherever that's going to lead us, it's going to lead us. We basically went project by project, and it was more about leading with excitement and passion and things that we were interested in. And then we got the experience after we got into the doing stages.

You know, one of the things about the power of not knowing — we actually had our first big inventors come to us with this product called Air Hogs, which was an air-pressure plane that you pumped up, split the propeller, and it flew around for 45 seconds. This was basically in the mid-nineties. Back in the day, you only had rubber-band airplanes or you had Cox airplanes that were gas-powered and would take your finger off. And you'd get one flight. So when the two British inventors came to show us the product, we were at the park with myself and Ben, and we flew it and we were like, "Wow, that's unbelievable." We ran to fly it again and again and again. And all I was thinking to myself was: if I'm 25 and I'm loving this toy, how much more is a ten-year-old going to love it? And that's what went through my mind. But at the same time, we were like, "Well, it's an airplane, it's going to break, you may have returns, you've got a spinning prop." And we thought about it for a second, but then we said to ourselves, "We'll figure it out." And we spent the next two years engineering and developing it. We worked with two companies in the United States that did the drawings and did the prototypes. And I went to China and found a factory there to work with and did the debug. We'd never done a complex product like this before — I wouldn't even consider it a toy; it's like a toy plus.

And I'd say a year and a half into the project, we found out that Hasbro and Mattel had passed on it. We thought we were the first people to see this, that it was a new invention. Little did we know that everybody had passed on it. I think if we'd known that everybody passed on it, we probably would have thought about it a little bit more. And I've had situations later in my career where we've overthought things and missed opportunities as a result. And so I think that's one of the things — there's a power in a little bit of naivety in your twenties that you can apply. And then we accrued this body of knowledge. We launched it in 1998. The company went from $7 million in sales up to $35 million in one year as a result of this product that we spent two years working on. And then we took that body of knowledge and applied it to the next products. So it's always been a learning experience. I'd say we've always been behind the curve, but we've been students of the toy industry and students of animation, and we're constantly learning and applying our knowledge.

STEVE 12:19

What's really interesting about what you just said is the fact that one of your earliest breakaway successes was the very same thing that others you respected in the industry had passed on. And I'm reminded of a parallel in my own career as an investor. When you look at any given investment opportunity, sometimes knowledgeable, smart people that you admire and respect say no, but you think the answer should be yes. And other times they say yes and you think the answer should be no.

What did that experience teach you about independent thinking, about people playing different games? How have you thought about the information — or maybe the lack of information — you glean from decisions that other people make?

RONNEN 13:09

You know, I think it's two things. One is: be careful about the people you surround yourself with. It's good to surround yourself with positive people at the end of the day. And I do believe that in our business, it's a bit of an art and science. You do need to know what's been successful in the past, what's failed, and what the reasons are for it. I'm a big believer in identifying white space opportunities and being cognizant of that.

So it’s a combination of all those things. But at the end of the day, I think there’s a power in your own internal knowing and your ability to lean into that. And I think it’s the most powerful quotient at the end of the day. And there are so many reasons why people don’t do things. And I think that’s another thing that’s insightful — you know, maybe Hasbro and Mattel had really good reasons to pass. Maybe it wasn’t for them at that moment in time. And maybe they were focused on other things. Maybe it wasn’t necessarily the product itself. So I think when you glean information like that, you’ve got to really dig deep and find out what the reasons are, so you don’t make a false positive.

STEVE 14:22

Okay, so I get this question all the time, and in fact I had to wrestle with a similar question many, many years ago. So suppose someone in their mid to late twenties, maybe early thirties, comes to you and says: “I have a stable six-figure job, I have a mortgage, I have a spouse, I have young kids. I want to be an entrepreneur. I’m kind of disillusioned with my ‘traditional’ job, but I basically can’t make the wrong decision for practical reasons.”

How would you coach them through that line of thinking? Are there any frameworks or structures you would present them with to help them think through that dilemma?

RONNEN 15:03

Well, first, the average age of an entrepreneur is actually 38 in the United States. So they’re actually quite young still in their journey. And I think the first question to ask yourself is: do you want to be in business for yourself? And I think that once you make that decision, a lot of things will start to happen for you. But if you sit on the fence and wait for the right opportunity, I don’t think you’ll ever actually get to the point of starting a business — or it will be very difficult. So I think you have to back up and ask yourself that question first and foremost. And then I would say: you still have a lot of runway left in your life. I mean, if you work till 60 or 70 or whatever it is — how would you feel looking back if you didn’t take that opportunity? I know that’s a question a lot of people ask themselves.

I would encourage people to — and I think it’s easier to game out the downside but harder to game out the upside. We’re naturally predisposed as people to look at the downside and what the cons are. You can write the whole list, right? You know all the things that could potentially happen. And one thing is to ask yourself — I read Tim Ferriss’s book and he said: can you live with the consequences of what could potentially happen if things go not the way you want them to? So that’s another way to look at it, and if you can live with that, then maybe that will encourage you to take the leap. But I come at it from more of an intuitive place. And that is: the upside is the most magical thing ever. You can't actually game it out. And do you want to miss out on the screenplay of your life? That's the real question you should ask yourself.

And realize that once you start, the universe is going to meet you halfway and magical things are going to happen to you. You can't write down all those magical things — that's the problem. But if you look at other people's careers and paths, I would say surround yourself with — or ask — people who took the journey and took the leap of faith. Ask them what happened to them and what were the magical things that accrued to them that they would have never dreamed would happen once they unlocked that decision for themselves.

STEVE 17:35

Well, presumably those who have done it — with the benefit of hindsight — don't regret having done it. And in my experience, the vast majority of people would say no, they don't regret it, regardless of their outcome.

RONNEN 17:47

Yeah. And the other thing is — and I know this isn't what I was going to say, but — business is not for everybody. But the one thing you will get once you've made that decision and given it a try is: you will know whether or not that path is for you. And I think that's an important thing for people to experience. And you can always go back to whatever your other path is.

STEVE 18:23

Well, that actually presents an interesting follow-up question, which is: what's the strongest argument against your thesis? Said another way, in what situations would you tell somebody that they should not become an entrepreneur?

RONNEN 18:38

Well, I think first of all, it's important to define what success means to you. Everybody has different definitions of success, and I think it's important for people to live whatever life is successful for them. But I would say — if you're going to be an entrepreneur — if you can't handle stress well, if you can't handle uncertainty well, if you can't handle responsibility for other people's lives, if details consume you — I would say you have to have a very optimistic attitude to be an entrepreneur. You have to have a belief that everything is just going to work its way out, coupled with the fact that you're willing to work hard, willing to put the time and effort into it, and willing to make some sacrifices along the way.

I think that's the other thing — you're going to have to give other parts of your life second place as a result of running your own business. So I think it's a combination of uncertainty and sacrifices. And if you're not willing to make those sacrifices and deal with certain levels of uncertainty — because it is uncertain, it's not like having a mapped-out career path for yourself — then it may not be the path for you.

STEVE 20:18

You mentioned being mindful of one's definition of success. I'm curious: what was your definition of success the day before you started Spin Master? And what is it today, if it's changed?

RONNEN 20:30

Yeah, there are two definitions of success. I was very fortunate — I knew when I was ten years old what I wanted to do. And a lot of it came from the fact that I got identified with a learning disability called dysgraphia when I was ten. It's the inability to get your thoughts out through your hands. My handwriting is terrible, and I have some other spatial awareness issues. So school was super difficult for me. I was super lucky to get extra time on my exams and other accommodations. But I knew intuitively that I would be better served being an entrepreneur. I was waiting to graduate high school, and I went to university, which was fantastic because I met my partners there. But I was chomping at the bit to do my own thing once I graduated. I didn't exactly know what it was going to be — I had no idea. If you would have asked me in university if I was going to go into the toy business, I would have said it never crossed my mind once, ever.

And it was more about doing and starting something. As I said, we started with this product called Earth Buddy — the most humble, simple product that matched where we were at at 23 years old. So I was just excited to try something. And we just kept on trying. So for me, my definition of success was living the life that matched my creativity and my curiosity and my ability to dream. When I was a kid, like — I just spent the last month in New York and people were like, "Ronnen, do you see the rats in New York?" And I'm like, "What are you talking about?" I think I'm constantly looking up. I'm looking at architecture, looking at buildings. That's how I grew up. I was always dreaming and curious. So for me, success was living the life that matched my abilities — because I felt for so many years growing up, because of having a learning disability, I was mismatched in school.

And there was also a big part of success for me in having control over my own life. When I grew up, my parents were immigrants to Canada and there was a lot of instability in my family. My parents had a Persian carpet gallery in Toronto and my dad was a junior partner with profit sharing. The business closed after ten years. And then my dad got a job as VP of sales at Sunripe Juice. I remember as a kid thinking, “That’s unbelievable — VP of sales, big company.” And then he got laid off six months later. Then he opened this other business and it closed two years later. Then my parents got divorced. They took big risks, but they didn’t take the risk in terms of having equity in their own business. And I wanted to have equity — and as a result of having equity in my own business, I wanted to have control. And when I say control, it’s like: hiring the people you want to hire, creating the culture in your business that you want to create, being around the people you want to be around, putting your time and effort into things that you’re passionate about. That was really important to me. My definition of success was having equity in something that would accrue to me as a result of my efforts, and having control of my environment.

And today, my definition of success is actually two things. It might shock you, Steve, but I get most excited when there are products created in our company that I had nothing to do with. We created this product called Hatchimals in 2016 — I don’t know if you’ve ever seen it, but it’s this amazing character that comes in an egg and you hold it and love it to life. It feeds on the energy in your hands, and the creature inside starts to peck. It pecks its way out and you can go 360 degrees in the egg. And then you can put it down for like a year and nothing will happen. And then you pick it up again and it starts pecking. And eventually it hatches. It was one of our most successful products, and I had nothing to do with it. To me, that’s my definition of success today.

And if the company can live beyond the founders — that’s the ultimate form of success, because we look at companies like Nintendo, Sony, Nike, Ford — those companies were able to live beyond their founders and continue to thrive, with a mechanism for continued repetitive growth without the founders. That’s what we’re trying to do now.

STEVE 25:09

Yeah, love that. And I think it’s also important to highlight for those listening that everyone has their own unique definition of success. My definition of success is: do I like the way that I spend the average Tuesday afternoon? That’s it for me. And I do. And so everything else is just details. But that’s just me. Other people will have different definitions of success.

And I also think that for reasons I can't quite articulate, the concept of money has become almost an inappropriate answer to success. But I think people need to be honest with themselves. If money is a really important part of your definition of success, I don't think you need to judge yourself for that — I think you need to be honest with yourself and act accordingly. It's become almost a bad answer if you say financial rewards are part of your definition of success. But my guess is most people have financial rewards at least somewhere in their definition of success, and they'd be better served being honest with themselves instead of pretending like it's not there.

RONNEN 26:15

Yeah. No, I think you're right about that.

STEVE 27:47

Okay, so my next question is about the role that passion played — or didn't play — in your decision to launch Spin Master. And the reason I'm asking this question is because people often say, "Do what you're passionate about." I spent seven years selling software to trucking companies — at the risk of divulging state secrets, I'm not passionate about trucking, I'm not passionate about software, I was not passionate about the widget I was selling. I was passionate about the idea of being an entrepreneur, building a business, building something over many years that I could be proud of. You chose toys and, obviously, it's worked out very well for you. What role, if any, did passion play in your decision to get into the toy business?

RONNEN 28:36

Listen, I think passion played everything in terms of getting into business and wanting to be in business for ourselves. But the toy business kind of chose us versus us choosing it. And once we met the toy business, we committed to it. It found us. But we really loved the creative aspect of producing toys. The passion was about these physical products and how they came to life. And I think the toy business is, in a strange way, a way for you to relive your childhood. I actually didn't have a lot of toys as a kid — that's the biggest irony. And I actually don't even have any kids. So it's like — I tell people, if you want to be successful in the toy business, you're basically stuck at seven.

STEVE 29:36

Totally.

RONNEN 29:51

Like, you think like a seven-year-old. And there's something wonderful about having that sense of wonder, about staying young. I would say the toy business and kids' entertainment is one of the toughest businesses — it's super, super, super hard. The pace, the amount of products, the products that don't do well, the markdowns, the retail, the manufacturing — there are so many issues. But at the core of it, that magic, that pixie dust, that special aspect of certain toys that we brought to market — whether Air Hogs or Hatchimals or Bakugan or Tech Deck — it just gives you this great feeling inside. And when a product goes in the toy industry, you get the feedback straight away from the consumer. And I think that's something that's almost addictive when products become successful.

There was a lot of passion around the art of it. My business partner Ben is super artful — he loves the art part, and I also like the art. If you would have asked Anton, he'd be more agnostic. For him, it was more about the people — he was really about the culture and the people and the sales, and treating people in the right way.

STEVE 31:16

So what do you think about that wisdom that prospective entrepreneurs seemingly always get of "go follow your passion"? I tend to — here's where I shake out. I would say: A, you don't necessarily need to be passionate about the widget that you're selling. You can be passionate about other things that are driving you towards your entrepreneurial ambitions. And B, I often say — at the risk of semantics — follow your curiosity, not your passion. Those are two different things. So that's kind of where I shake out on that advice. Where do you land on that advice that we seem to always hear of "go follow your passion"?

RONNEN 32:01

Yeah, I'm in a similar camp to you. I think — again, for the sake of being repetitious — if you want to be an entrepreneur, if you want to have your own business, first you have to make that decision. That's the biggest thing. Because a business is so many different things — the designing and developing of the toy is probably 30 percent of it. There's still this other 70 percent over here, right? And that's the business part of it. So it's more about the business itself.

And it's okay — for some people I think it's a personal thing — to not necessarily be passionate about exactly what you're putting out into the world. For some people it's super important. So I think it really depends. But you definitely have to be passionate about business. If you're not passionate about business, don't even enter the fray. The other thing is that you can also change your business as you go — you're not committed to that one sector forever.

STEVE 32:59

Sure.

RONNEN 33:00

But you accrue this body of knowledge of running a business and you can translate that into your passion later on. So I think — but I do believe if you're passionate about something, it is a good energizing force to lead you. And I do think curiosity is a great underpinning to drive you forward. But I know people don't like to use the word "passion" — they consider it a flaky word. But I think it's different for everybody, and we need to be careful about just applying one definition to it at the end of the day.

STEVE 33:46

Yeah.

Okay, let's go to tail events — this is kind of theme number two that I extracted from your book. And again, for those who are unfamiliar with the terminology, a tail event is basically a small number of events explaining a disproportionate share of outcomes. So in venture capital, it's the one deal that returns a thousand X, even though the 20 other deals lost money.

So in your case, at least it seems to me, PAW Patrol was your tail event. I think it generated over $14 billion of cumulative revenue since launch. I think it is many multiples larger than the second biggest launch, which itself was very large and very successful. So I think the reality is that most successful entrepreneurs will never create their own version of PAW Patrol. Most investors will never own one. Looking back with the benefit of hindsight, how much of PAW Patrol's success was attributable to skill and planning versus circumstances that simply could not have been predicted at the time?

RONNEN 34:48

Yeah, I think it's mostly the latter. And PAW Patrol was done in our nineteenth year of business. So there were a lot of tail events that led up to that. I think it's such a great question, because some people just think it happened overnight — but it was in our nineteenth year of business, and there was a lot of stuff before that.

STEVE 35:08

Your overnight success took nineteen years.

RONNEN 35:11

You know, a lot of it was out of necessity because 25 percent of the toy industry comes from movies and TV shows — toys based on Spider-Man, Superman, Batman, Harry Potter, and so on. And every time we went to pitch for a property, we got turned down. So at a certain point, we said to ourselves, “Let’s try to learn the business ourselves and somehow eventually make our own shows.”

And so we started going to a trade show called MIPCOM, which is in the south of France. We went there and our whole idea was to try to get a license for a toy before it even got sold to a broadcaster — super early stage. We started going in 2001, and every single year we watched every single episode of content ever created, as if we were a broadcaster. We’d spend days and days watching children’s TV shows. And I think that basically gave us the muscle to understand what we would consider good content that would resonate with kids. Plus, we were constantly learning what’s happening in the marketplace.

But the craziest thing happened: in 2001, on one of my trips to Japan, I was shown Beyblade — which, if you don’t know it, Steve, is basically a cross between Transformers and Pokémon. It’s a spinning top with a ripcord; the two tops battle in an arena. In 2003, it became one of the biggest toys in boys’ action for the last 25 years. So I was shown this product from Takara Tomy and I turned it down. I went back to Japan six months later and asked how it was going. They said, “It’s going great — we’re producing a TV show around it.” And I said, “Maybe we’ll reconsider.” And they said, “Sorry, it’s gone — we gave it to Hasbro.” And Hasbro has gone on to do probably three or four billion dollars worth of toy sales as a result of getting those rights back in 2003, which we had passed on.

And that moment, coupled with the necessity I described, stayed with me and imprinted on me. In 2006, a young inventor who was 23 years old came to us with this idea of putting an action figure into a marble. That was the genesis of what went on to become Bakugan. We developed the product to a point where it was a nice ball and you’d open it up to find the action figure inside. But it wasn’t good enough. And I went to Japan and pitched three toy companies, asking them to co-develop it with us. Two said no. The third was Sega Toys — a Mr. Kokoban — who didn’t speak a stitch of English, so everything was through a translator. And he said yes. I came back three months later and they had put in this whole pop-open transformation. You’d roll it onto a card and it would pop open and you’d battle it out with your friends — kind of like Beyblade but in a ball format, and kind of like

Transformers.

I turned to him and said, “What do you think about doing a TV show?” And he said, “Do you have six million dollars? Because it’s going to cost twelve.” I said, “Give me three months and I’ll get back to you.” So I went home, spoke to my partners, we put the money together — it was a lot of money for us back then — and came back and said, “We’re in.” We created the television show together, ended up selling it to Cartoon Network, it aired for four years in 150 countries around the world, and went on to be this amazing billion-dollar success. And then we followed it up with three other TV shows. They all bombed. You couldn’t give the product away — they were stuck to the shelf. Our company went from a billion dollars in sales to $450 million in sales. We went up like a hockey stick and down like the other side of the hockey stick.

And in the lowest point of our company’s history, PAW Patrol was born. We had just laid off 350 people. We did four restructurings. On top of the four restructurings, we had lost money for two years straight — our 17th and 18th years of business. For the first 16 years, we were always profitable. We had never experienced losing money. We had to recapitalize the business. It was a very tenuous moment in our business career where we really thought about whether we should continue, what we should do, whether we should sell the business — all of that. But we dug in, said we were going to really focus on what matters, have less hubris, accept that not everything we do is going to turn to gold, and open up our funnel on the top while being very judicious about what we put at the bottom. And from that, PAW Patrol was born. There were a lot of tail events that led to it — resilience, learnings, all that stuff.

STEVE 40:44

Did the success of PAW Patrol change how you evaluate opportunities today? Like, has it made you more tolerant of failures, knowing that one mega-success can more than account for dozens of less successful ideas?

RONNEN 41:02

I think it’s made us very appreciative, because we’ve launched many shows afterwards and they’ve been great shows, but they haven’t connected with kids the way PAW Patrol has connected with kids. So it’s made us very appreciative. But there have also been a lot of learnings from what happened with Bakugan and some of the previous shows that we put into PAW Patrol to continue to build that franchise and make it what it is today.

STEVE 41:28

Does it — for example — make you more likely today to take a bet on a new toy or a new show or a new property, even if you're feeling a little uncertain about it, knowing that it's very, very hard to predict what's going to stick and what isn't? Versus the lens through which you looked at such opportunities 20 years ago — are you willing to take a greater number of smaller bets now than you were, say, 20 years ago?

RONNEN 41:57

From a product perspective, it's quite the same. But things have changed — we've done a lot of M&As; in the last ten years, and so it's moved from making bets on products to also making big decisions on companies to acquire. It's shifted. But I think deep in the culture is the DNA that we're open to ideas and we're always pushing the bounds of what's possible and trying. That's very much consistent today. I'd say we're maybe a little slower than we used to be, which is something that happens when the company grows. And we need to fix that. But the appetite to constantly get into new categories is still there — we just bought a company called Melissa & Doug a couple of years ago, and that was a step change for us in terms of recurring revenue and buying a brand that has high brand awareness and a completely different profile of play. So we're constantly taking our shots.

STEVE 43:03

Prior to launching, did PAW Patrol look obviously different from other products internally? Or did it initially look like just another promising idea in a long line of promising ideas?

RONNEN 43:16

You know, first of all, it wasn't necessarily an idea — it was a creation that evolved over time. The idea for PAW Patrol was originally a brief that we sent out to five creators. And Keith Chapman came back with this idea — it was originally called Robbie and the Rescue Pups. It was all about Robbie solving issues with five different puppies, each with their own archetype.

And so we loved the concept of it. But it's one thing to have the concept of an idea, and it's another to design and develop characters that are appealing to kids, then to write the story, then to have incredible directors direct the pacing of the show, and to add in the play patterns in terms of the vehicles and transformations and all that. So it wasn't like here's an idea all packaged up — just say yes and everything's going to work out. It was really a two-year creation journey.

STEVE 44:17

Yeah. Let's go to business partnerships. You've mentioned your business partners a couple of times now, so I want to dig into a couple of different aspects of good versus bad business partnerships. And again, a FAQ that I get from a lot of aspiring entrepreneurs sounds something like: "Hey, I'd love to do this, but only if I can find the right partner."

How should a prospective entrepreneur think about that problem? Is waiting for the perfect partner a legitimate strategy, or is it a kind of veiled form of procrastination in your experience?

RONNEN 44:52

I think it's a veiled form of procrastination. I think, again, I go back to the original premise: do you want to be in business for yourself? Is that a career you want to pursue? And if you have a business partner who matches up and aligns with you, that's fantastic. If you don't, why should that hold you back at the end of the day? And it doesn't mean that a business partner can't come later on in the journey either. Lots of times people come a year later or two years later.

If anything, it could be a plus, because you own 100 percent of whatever you started and you have more equity to give away to other people who are going to join you along the journey. And you may have people join you who are super valuable and bring a lot to the table — and you have equity to give away to incentivize those individuals to contribute to your business. And giving people equity is one of the biggest intangible unlocks that you can find. Those people can turn into business partners. And even if they don't have the same equity percentages as you, if you treat them like a business partner, you're going to get magical results as a result of it.

STEVE 46:08

I suspect your answer to the following question is going to be both, but I'm going to ask it anyway. When one works with a business partner, at a very high level there are kind of two forms of help they can receive. One would be commercial help — hey, there's three of you instead of one, so I'll do sales, you do accounting, you do whatever. The other bucket is emotional help — someone is in the trenches with you, they understand what you're going through, you have a shoulder to cry on, you can commiserate with each other, you can celebrate with each other, et cetera. I know you've gotten both benefits from your business partners, but can you riff on this idea of there being two buckets of benefit from a business partner? And has one proven to be more meaningful than the other in your experience?

RONNEN 46:57

Yeah, I think the key thing is to have a mind meld with your business partner — someone where, when you're discussing the issues of your business, you can really connect and you're on the same wavelength. It's like having an incredible tennis partner and an incredible rally: everything's just going back and forth and back and forth and back and forth, with very little starts and stops. That mind meld, to me, is the most magical thing to have in a business partner.

Yes, you can have support, but you can get emotional support in many different places in your life. The question is: can you have a synced-up human that you can banter ideas with? And when the right idea pops on the table, is there low enough ego that you can go with the right decision and move forward at pace? Those are the key things that are important to me in a partnership.

And then: do you have the same desire, and are you heading in the same direction? That's really, really important. And I'd say it's even more important than the thing you brought up — you know, having people divide up tasks like sales, marketing, and so on. It's more: do you guys have the same vision for where you want to go? Because that's going to take you through the hard times. And that's also going to equalize things like work ethic, which is super important.

STEVE 48:48

What do you think is more dangerous — I'll use the word "dangerous" because I can't think of a better word — pursuing entrepreneurship alone even though you have reservations about doing so, or entering what I'll call a less-than-ideal partnership? And maybe less-than-ideal means your skill sets aren't that complementary. Maybe it means it's a relatively new relationship and you don't know each other super well. Which one do you think is more dangerous?

RONNEN 49:14

Entering a partnership is like a marriage — that's a big decision. It will affect your health and it will affect your mood and it'll affect your life. You will not be having pleasant Tuesdays if you don't have the right partner. So to me, it's a hard no. I think that's a huge risk to take, and I wouldn't take it. Because, again, back to our conversation — you want to enjoy the journey. It's hard enough as it is.

So I would rather go it alone personally than jump in with someone where I've got some reservations and it's questionable. You may want to do a project with the person and try something for six months or a year and see how it goes. But if you do have any reservations, I would do a bit more of a trial situation and gather more data points first.

STEVE 50:07

What are some early signs that two people are likely to be exceptional long-term partners, if such a thing exists? And maybe conversely, are there any signs you'd look out for that suggest two people should absolutely not be business partners?

RONNEN 50:22

I think it all comes down to communication. Can you communicate? Can you fight? And do you have the ability to say sorry?

STEVE 50:32

Yeah. Fighting well — yeah.

RONNEN 50:34

I would say the one thing that kept our partnership going — and I have two partners, so that's three, which is super complicated to manage — we had a couple of rules in our business. One was no talking behind anybody's back. And the other was always apologize. Even if I didn't get the apology back, I asked for it. And then I felt better as a result of getting it. So we always cleared the air.

And I think saying sorry, communicating — that's everything. And then having the ability to enjoy the upside conversations with your business partner: the ability to dream and to talk about not only the issues you're facing, but what's possible. And I think that's super exciting at the end of the day.

STEVE 52:50

So if you were advising newly formed business partners — two young entrepreneurs who don't have a ton of experience working together — and I asked you to create a partnership playbook that represents the best of partnership hygiene based on your experience, what's on the must-do list? Certainly it sounds like apologizing when you make a mistake is one. Saying everything to the person in question and never behind their back is another. What else would you put on that list?

RONNEN 53:30

Work on your ego — that's a big one. Being able to recognize through the discussion what is the best way forward. And then I would say the fourth one would be: no blame. One thing about our business that I'm super proud of — especially if you're in a creative industry, but I would say in almost any business — there's never one person responsible for a success or failure. So I would not attribute any blame to one individual, because it's destructive to the spirit — it's very corrosive. We had so many products that failed. We had a string in the nineties after Air Hogs: Don't Feed Freddy, Keycharm Cuties, Tickle Secret Babies — three products in a row that we put so much time and effort into, and they completely bombed. No one liked them.

And I will never forget, Steve: when we launched that product, we shot a commercial, and I saw a kid watching the commercial, and his face was just blank. And I knew right then and there that that product was not going to go. And it didn't. And there was no blame that I attributed to my partners Ben or Anton or to anybody else who worked on the product — because I was cognizant of the fact that there are so many elements that go into a decision and its execution.

And then the same thing with the upside — there's no one person responsible for PAW Patrol's success. I would probably attribute it to about 15 individuals. Or maybe even a hundred — there were a hundred animators who worked on it, and they get a lot of credit for it. So celebrate your upside, but don't attribute it to one person, and don't attribute failure to one person.

STEVE 55:09

Yeah.

How about at a very tactical level? In the spirit of maintaining a healthy partnership, did you have, for example, weekly meetings? Were you in entrepreneur support groups? Did you have coaches? Did you have an agreed-upon process for resolving disagreements? At the most tactical level, what stuff worked for you and what stuff maybe didn't?

RONNEN 55:50

Yeah, we had a weekly meeting — we called it the partners' meeting. And we met every single week religiously. We'd bring issues and topics and we would just talk it out in that weekly meeting. And so that was a good catch-all for resolving business issues, but also emotional and sensitive partnership matters — how people feel about certain things. I would say that was the most powerful thing. We never put in place formal processes, rules, or procedures. I mean, we're not that type of company. I've never done a PowerPoint in my life, and we never did business plans. So it was really just: let's get into the room and hash it out on a consistent basis.

STEVE 56:29

Let's talk a little bit about what happens when you scale the mountain that you spent a couple of decades attempting to scale — which obviously you did. Many founders listening to this will have spent, like you, decades building towards a liquidity event. But many who actually achieve that outcome report feeling conflicted, maybe a bit empty once they get there. And in fact, the data is pretty clear: entrepreneurs are more likely to suffer from depression after a liquidity event as opposed to before one. So did you experience any of that when you took the company public and, you know, you kind of won the battle, so to speak?

RONNEN 57:15

You know, when we took the company public, we were very much still in the business and it was exciting for us. And we did a liquidity event with two classes of shares, which was really important to us — because I know what can happen if you don't have two classes of shares: you can basically lose your job. And I never wanted to be in that position, nor did any of my business partners.

But I will say that when we stepped down from being co-CEOs, that has been probably the hardest transition for us. How do you still contribute in the business when you have a CEO in the seat and you've got to give that person the room to do what they're brought on board to do? You let them bake the cake the way they want to bake the cake, and you no longer have the day-to-day influence that you had before.

I think that's been the hardest thing for the three of us to transition. And I would say it is uncomfortable. So we're still working through that. We're in a middle ground where we didn't have a complete liquidity event — we haven't sold the whole company. And that's one of the reasons why we went public: we wanted a hybrid approach, not just a complete liquidity event. But now it's quite difficult. Where do you contribute and how do you contribute? You're contributing more from a macro perspective — capital allocation, board meetings — but you're not really in the fray on a day-to-day basis. And I think the three of us miss that.

STEVE 58:47

Yeah.

I usually give two pieces of advice to post-exit CEOs, and neither of these thoughts are original to me — I collected them from others. The two pieces of advice are: a) don't spend the money within the first 12 months, and b) whatever amount of time you're planning to take off, you should at least double it. Those are my two pieces of advice. Based on your experience, what pieces of advice would you give to a post-exit CEO listening to this?

RONNEN 59:39

You know, lean into the freedom that you have, and start to explore things that you've wanted to do for a long period of time. Definitely take time off, but I think that throwing yourself into something — after you've given yourself whatever time you feel is right — is an exciting thing. It could be going back to school, it could be learning another occupation. It's different for everybody, but there are so many amazing things out there.

I'm a big believer in traveling. I would definitely travel and see the world. When I took my sabbatical, I did five months in Africa. I drove all the way from Cape Town to Nairobi. I broke five ribs near the end of my trip — I was trying to make it all the way to Cairo, because it's a famous trip from Cape to Cairo. But it was such a magical adventure for me. It was something I'd always dreamed of doing. And the most magical thing about my trip was just the fact that I did it. So many things happened along the way.

So my advice would be: do what's important to you. But I agree with you — don't rush back into anything, because there's a reason why you decided to do what you did, and you will only get perspective on it through a good amount of time. When I stepped down from being co-CEO of the company, I knew I wasn't well, physically and mentally. But not until about six months in did I really realize what the situation was.

STEVE 1:01:16

Yeah. My experience was similar. My original plan was to take six months off. Then that turned into twelve months. Then that turned into eighteen months. And at month twelve, I looked back six months and said, "My God, I can't believe that version of Steve thought he was ready to go back." And then at month eighteen, I looked back at the twelve-month version and said, "My God, I can't believe that version of Steve thought he was ready to go back." But for some reason, reasons that I can't explain, at month eighteen I felt like I just had a full-body exhale for the first time in a decade. And I just knew that I was ready to go back.

RONNEN 1:02:03

Right. Beautiful. So nice.

STEVE 1:02:07

So let’s talk about financial independence. Again, you’ve been working towards this thing for twenty years and you finally achieved it. When you do scale to the top of the mountain, in your experience, what actually changes and what stays fundamentally the same?

RONNEN 1:02:29

I think that once you have a certain amount of money, things don’t change. They just don’t change. And you know, the real question, Steve, is: what’s your definition of the top of the mountain? Because you can always be climbing, and there’s never an ending. So it depends on what your definition is. And for me, I like to make history, and I’m constantly thinking about that and thinking about pushing the envelope. So I don’t view it as a mountain climb or as a destination. I think it’s more about what’s right for you at different moments in your life.

STEVE 1:03:26

Two words are coming to mind right now: risk and ambition. How did your relationship to both risk and ambition change after you basically no longer needed to take any financial risk? And having largely achieved many of your original ambitions — post-exit, did you feel differently about risk and/or ambition?

RONNEN 1:03:53

No, the ambition was still the same — again, to grow the company as big as we possibly could. And once you become public, you’re on a growth trajectory. You’re responsible to your shareholders and to the people who invested in your company. So in a sense, the trajectory is kind of set for you. Before, it was basically just us deciding. But now you’ve committed to something and people have bought into that vision — so you need to continue on that track.

So we do need to take financial risk. Because as a company, if you want to grow, you need to be investing in certain areas. Capital allocation is a big thing for our business. We were taking risks — for example, we produced the first PAW Patrol movie in 2021. No one wanted to make the movie. We took it to the studios and they didn’t want to make it — they didn’t think it was possible to make a feature film animated style for that age group. So we invested our own money and started the process. I’m super happy that it turned out that way, because we actually built up the competencies to produce our own feature films now. And eventually, halfway through the process, Paramount came on board and we partnered together on the film. But we had to take a huge risk in going into the film business. Now we’re doing stuff in AI and having to take big risks in that area as well. So if you want your business to grow and thrive and constantly move forward, the risk quotient doesn't end. I think when the risk quotient ends, your company will go backwards.

STEVE 1:05:52

Outside of Spin Master, are you doing any investing now personally?

RONNEN 1:05:57

I don't — well, I guess…

STEVE 1:06:02

Walk me through your decision to not do that, because a lot of post-exit founders almost unconsciously stumble into investing. Walk me through your decision not to.

RONNEN 1:06:13

You know, it just takes up so much time and energy. And I like to allocate my time and energy to other places, because I got my fill from a business perspective from Spin Master. If I could literally put all my outside capital into an ETF, I'd be the happiest guy ever. Because there's something to freedom — freedom of the mind — and to doing other things. I spend a lot of time in my foundation and giving back that way, and I'm inspired by the projects we're doing in the foundation. It gives me an opportunity to flex different muscles in my brain, which are important to me. So it's a personal thing — I'm not as interested in business per se as I used to be.

STEVE 1:07:16

One concluding question for you as we look to wrap up. If someone were to listen to this conversation twenty years from now and could remember only one lesson from your life and your career, what do you hope that lesson would be?

RONNEN 1:07:35

Enjoy the journey. Enjoy the journey. Take time for yourself. Take care of yourself first and foremost. You're the most important person in your life. Don't put the business before yourself. And take time. I'll never forget the time I was in the south of France on a business trip and I met this wonderful woman, and I just rushed back because I had meetings in Toronto. I would have much preferred to spend another week with her, traveling around the south of France. So, you know, take time for yourself and really enjoy the journey. Most important thing.

STEVE 1:08:09

I'm curious — did you learn that lesson because you got burned by doing the opposite? Is there a time in your life where you really weren't taking care of yourself, really were putting the business before your own interests, and getting burned is how you learned that lesson?

RONNEN 1:08:23

Yes. I got burned out so many times in my business career. I know that at the three-month mark I would get burnt out, and I would not take time. The body keeps the score — I've developed many ailments: lower back pain for years, or for a while I had a twitch in my eye that would last for two months, or I'd have a sore left shoulder. My left shoulder is sore right now, and I know 100 percent it's stress-related.

When you're younger, you just work through everything. But then you hit 40 and some serious things happen. So I've had to learn the hard way. I think it's probably a story for another podcast. But it has definitely shown up in my life as a result of putting the business before myself, constantly making it the number one priority, and always striving to grow and to grow and to grow. It did take a toll on me.

STEVE 1:09:49

What has worked for you in terms of managing yourself, managing your energy, managing your psychology? Some things that worked for me were getting a therapist, joining a CEO support group, scheduled time off, things like that. What has worked for you as you manage your energy and your psychology as an entrepreneur?

RONNEN 1:10:14

I'm a big believer in scheduling time off — something to look forward to. I don't work on Saturdays; I keep Shabbat. That's been a big thing for me. I'll never forget when I first started keeping Shabbat — I was in Germany at a trade show, and everybody was working. It was so foreign for me. I was in my hotel room, just reading, while everything was going on at the show. I was like, "What's going on? I can't believe I'm not there." But taking one day of rest every single week has been such a blessing. And not being on screens. So it's worked out great.

And I think protecting your mornings has been a big thing for me. I protect my mornings and I do something six days a week — I either do yoga in the morning, or I go for a run, or I go for a swim. I do something to settle myself, or I journal. Something for me. And then I know that once I've done something for myself, the rest of the day I'm okay to give to the business and other people. But I gave to myself first and foremost as the day started.

STEVE 1:11:29

Yeah, love that. Ronnen, it was a pleasure speaking with you today. Thank you for joining us.

RONNEN 1:11:36

Thanks, Steve. Appreciate it.