Anthony Comegna (00:20):
Well, everybody here. It is about a week out from the election and I'll level with you. I have no idea how it turned out. Hey, maybe you still don't either, so I guess I shouldn't feel too bad. We're recording this on Monday November 2nd, so you know how that goes. But here's what I am certain of. However, it turns out America seriously needs more good jobs, perhaps now more than any other time in recent memory. Well, our guest this week and next has a particularly interesting set of passions and practices that may just get us there and help build stronger, better, more connected and humane communities in the process.

Martin Babinec is an entrepreneur and venture capitalists with a keen focus on using capital investments and community connections to transform stagnant or decaying communities into economically vibrant and productive places to live. He's the author of the recent book, More Good Jobs. And I only hope you enjoy our conversation as much as I did. All right. Well, Martin, thank you very much for being with us today. And there was kind of a lot of biography built into the book here. So maybe you could just start us out by telling us a bit about yourself and how you got started in venture capital.

Martin Babinec (01:38):
Well thanks, Anthony. I appreciate the opportunity to be here, and excited to tell a little story. I'm a Silicon Valley entrepreneur by background, but one that got there in a probably non-conventional route and that after college I went ahead and worked for the government. And what I thought was only going to be a couple of years, ended up stretching that out to be about a ten-year period. And when I came back from spending most of my time outside the U.S., working with the U.S. Navy as a civilian in the Navy exchange or retail store operations. Landed in Silicon Valley as my last assignment there and try as I might to get a job, nobody would hire me because I'd worked for the government for too long. And that put me on a path to work really hard towards business opportunities that I could create on my own as an entrepreneur.

And I just was very lucky that when I made that decision to become an entrepreneur, that I happened to be in the most entrepreneur supporting place on the planet, that being Silicon Valley. So the company that I started was TriNet. Today it's a public company and at it now 32 years. First 20 years as the CEO and served as chairman of the board full time for a couple of years and remain on the board of directors of that company. So that's a journey in itself. And it was when I made the decision with my wife about midway through that journey to relocate our family from Silicon Valley to my home area of Upstate New York. And my wife Christa is also from Upstate New York. And we decided this is where we wanted to raise our kids. And moving our family from Silicon Valley to my home town in Little Falls, New York. Was another important part of this journey that ultimately led to the production of this book, More Good Jobs.

Anthony Comegna (03:49):
So what exactly was TriNet, what did you do there? And then once you moved to Silicon Valley, how did you sort of transition your life there to Upstate New York?

Martin Babinec (04:01):
All right. So TriNet is in the business of providing a whole suite of HR or human resource services and employer services for today about 17,000 companies, small to mid-sized businesses all over the U.S. and Canada. And we actually do that by aggregating the employees of these various companies into one
group. And we share in the responsibility of being an employer for these companies. And so that makes us a professional employer. So we helped create what is known today as the professional employer organization or PEO industry. And there are about 300 other firms who provide those services through various places around the U.S. So we’re not alone in that, but we’re one of the larger companies in that universe today. And when we moved our family from Silicon Valley to Little Falls back in 1999, the plan then was that I was going to be doing a cross country commute for about a year and a half or so.

We were trying to take the company public at the height of the dotcom era, that didn’t work out on that time schedule. And so instead of having a year and a half, two year commute, I ended up commuting for about 10 years. And I was able to do that, not by commuting every week, but even the act then where video conferencing was not as advanced as it is today, did have video conferencing set up and was doing a lot of work online and traveling. Not only back to California for where the headquarters is, but we were by that point already a company with offices in probably about eight places, eight or nine places around the U.S. So there was a certain amount of travel that would be involved in that role, no matter where I was based. But I was on the road a good 12 to 15 days a month for many years. And it all worked out.

Anthony Comegna (06:12):
Now, being part of the Silicon Valley world you were involved in what’s called the innovation economy. But you know, this is one of these terms that seems to mean all sorts of different things to all sorts of different people, from AOC pitching the green new deal as part of the innovation economy, where everybody can have green jobs and doing tech-related things in greenness, or techno libertarian types designing blockchain, everything, right? A distributed ledger for all sorts of different transactions. So what do you take this term to mean, innovation economy, and how exactly does the innovation economy relate to your book’s overall idea that we need to have an economy geared to producing more good jobs?

Martin Babinec (07:05):
All right. The innovation economy is a very important concept behind the book and the growth of jobs, especially good jobs. And when I started trying it back in 1988, I didn't think about it in the terms of a startup like we do today. I was trying to create a small business. That was my ambition. And it was only after being in the business for about a year and a half that I then began to understand that the very nature of what we did, which was based on an innovation, which is an important quality for being in the innovation economy, because what we were doing was not being done in the U.S. at that point in time. And number two, in order to make it work, it had to have scale, which meant growing beyond just servicing companies in my immediate community where we got started, the community of San Leandro, California.

And so the elements that define an innovation economy company begin with those two ideas. Number one, based on an innovation that the market has not yet broadly adopted. And number two, having the goal of growing to a national or global audience. It just so happened that when I started trying it, I didn't understand at the point I started that we would have to be able to serve customers who had employees all over the U.S., because even a San Leandro-based company, some of those would end up having employees in other states. And when you're handling the responsibilities for being an employer in multiple States, then you have to have capabilities that become national in scope. So that put us on a path to have to build out the infrastructure from a platform standpoint and have expertise that could be national in scope.
And so, even though that wasn't the ambition when I began, a year and a half into it it's like, "If we're going to make it as a company, if we're going to survive, we have to be a national player. This can't exist as just a small business." And today, when we think of innovation economy companies, it's not just companies that are doing something with technology. Well, many of the innovations that we think of might involve developing something that could be first to market in the form of an invention that maybe somebody patents or has something that's unique.

Lots of times innovations occur from people taking individual components, especially the things that are digitally based now. And as a result of the barriers to entry, to create things that can take advantage of information technology, and can be developed very cheaply, you can cobble together the application of different pieces of things off the shelf and create something innovative without being a technologist, all right? Because the tool set to do that is now easier to use and is accessible in a fashion that makes this the greatest era ever to be an entrepreneur. You can create something out of nothing and do it very quickly compared to any other point in history. And as most people are aware of, there are companies that have gone from zero to being worth a billion dollars in a very short period of time, because things can scale up quickly as a result of taking advantage of assets that are available here today.

Anthony Comegna (11:12):

Yeah, no, I really, really, really love that answer because it makes me think of what Ray Kurzweil for example, at Google says about artificial intelligence, that it's not just a problem of hardware in creating computers that are just raw power, computing power strong enough for it. But it's also a software problem of how do you get all these different components of intelligence to talk together and fit together in a sense of a way that creates something that is approximating human intelligence.

An economy is very much like that, even though we might think of inventions as always some product of a tinkerer shop, right, putting a brand new machine together. It's very often just ways of software, like ways of connecting other pieces of information. And now I do kind of want to tease out this thread you also brought up of saying that today is the greatest time in history to be an entrepreneur. Because you did write this before, at least the initial manuscript you wrote before COVID and all of the insanity of the last year, or at least much of it. So I'm wondering what, from your perspective has changed and are you a long run optimist here, like I expect you are.

Martin Babinec (12:34):

Well to be an entrepreneur you have to be an optimist, right? To be a successful entrepreneur you have to be an optimist. And I would say, because I've been through a few cycles already, remember starting trying to, before there was an internet as we know it today, and kind of road they, what we call the dotcom era, rode that wave of rowing throughout a period in which there was a tremendous amount of money chasing opportunity. And then we had the dot bomb, the crash that followed, and had to kind of get through that, which was very much a nuclear winter, especially when one considers that in the year 2000 we aborted our IPO effort in October of 2000. We had 99% of our revenue coming from dotcom customers. And it was very hard, so we had to ride through that cycle. And then obviously the 2008 recession. So I've seen a few down cycles, all right. And so when I think of COVID and what we're seeing today in 2020, there's no question that this is another down cycle that has tremendous amount of impact on businesses and organizations of all flavors, non-profits, educational institutions, healthcare, everything has been affected by it. And yet in down cycles great companies are created. Among other observations I'd make is it's in down cycles that
people start getting very creative and say, "There are new opportunities created because of this down cycle."

And people are saying as a result of for example during COVID, think of the number of things that are happening in virtual conferences and virtual meetings. That technology has been around to do that for a while, but think of how rapid the adoption of some of this stuff is. And how variations on that theme of how do you get people to now connect with each other in a virtual way that 12 months ago, even though there was such a thing as video conferencing, it wasn't done in quite the same fashion with quite the same tool sets and capabilities to get individual one on one meetings happening through virtual conference. It's just one example, all right? And so there's tons of innovation being applied to make it easier, more productive and more fun for participants. It's just that example. There's all kinds of stuff happening as a result of the difficulties that COVID has thrust upon us in 2020.

Anthony Comegna (15:28):
Now. But I'm wondering though, because I think to a lot of people, when they hear somebody say that kind of optimistic line, especially an investor, they're going to think, "Oh, well, isn't that crass? They're telling us here there's an opportunity to profit from this terrible moment. And so business people have never had it better." How do you respond to that kind of mentality?

Martin Babinec (15:53):
Well, to say that it's profit for business people isn't the way I would frame it. I'm sure there are some, and there are doubters that if they do not believe in a capitalist system, and if they don't understand the benefits of how innovation gets powered by people trying to solve a problem, okay? Like when you start, when I started TriNet, I didn't start TriNet because I had this ambition to grow a big corporation. That wasn't the ambition. I started TriNet because I looked at small businesses struggling to meet their responsibilities as an employer. I was a guy that understood what HR was about, because at my prior 11 years in working for Navy exchanges was doing HR. And I believed that there was going to be an increasing burden placed on employer's shoulders as a result of public policy making it harder and harder to be an employer. Because you're in the U.S. the employer is the distribution channel of social benefits, which is very different than what happens in other countries.

And that I wanted to help provide through this innovation that today we call professional employer organizations. I wanted to help equip small businesses so they could be more successful and do that leveraging knowledge that I had about human resources. That's how most innovation happens, it's not because they say, "Well, I'm going to start this company and create this innovation because it's going to make me a billionaire." I'm sure there are some entrepreneurs that are motivated just with the idea of, "Hey, can I create something big and become a billionaire?" I'm sure there were some. But over the last 32 years in my being on his journey as an entrepreneur myself and my helping a lot of other entrepreneurs, the vast majority of people that I know, and I'm talking thousands of entrepreneurs, the vast majority of them are starting a business because they have an idea in their mind to bring an innovation forward to solve a problem.

And in the course of their doing that, if they're among the few that are able to do it successfully, and remember, most startups fail and most entrepreneurs will fail the first time, all right? Some will break through. I was a lucky one that broke through. But even those that fail the first time in their first startup effort, guess what? The data would show. They go back and they do it again. And maybe they get the hit the second time around. For some it's even the third time around. But it's the pursuit of that innovation and the belief they can fill a gap in the marketplace that others are overlooking. That's what makes an entrepreneur. And I hope the
listeners, certainly within this network, who have an appreciation for how doing things from the bottom up is so much more powerful than saying government is going to be the solution.

Government doesn't create jobs, except for those that are paid for with our tax dollars. And we all want lower taxes. So, it's not about trying to have full employment in government provided jobs. That would be communism, all right. It's about our ability to create private sector jobs and ideally creating new companies that are growing in a fashion that could even sustain, not just a few people on their own payroll, but the opportunity to have a multiplier effect that increases the job growth potential of more than just the number of employees hired at that particular startup. That's what's exciting about the innovation economy from my perspective.

Anthony Comegna (20:01):
Our greatest thanks to Martin for joining us on the show. He'll be back again next week and we'll continue discussing his book, More Good Jobs, and we'll dig a bit further into his philosophy as a community builder. We'll even try to draw some comparisons to the mission here at IHS. So then there's no better time than the present to go ahead and subscribe to the show. And while you're at it, you can process a rating and review. Till next week, lovely listeners, keep the progress coming.