

MAN ON FIRE PRESENTS
**THE COMBUSTION
CHRONICLES**

**EPISODE NINETEEN
FOUNDED ON FAILURE**

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GUEST: TERRY JONES

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Shawn: Welcome to "The Combustion Chronicles" podcast, where bold leaders combined with big ideas to create game-changing disruption. I'm Shawn Nason, founder of Man on Fire, and your host for "The Combustion Chronicles." Throughout this series, we're bringing together the most unique and influential minds we could find to have honest conversations about not being okay with the status quo, blowing shit up, and working together to influence our shared future. We believe that when bold leaders ignite consumer-centric ideas with passion and grit, the result is an explosion that creates a better world for all of us. I'm here with my co-host Michael Harper.

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Shawn: On today's episode we're speaking with Terry Jones. Terry is a digital disruptor, an author, and a venture capitalist. He has founded 5 startups with \$2 billion IPOs, KAYAK and Travelocity, and has served on 17 corporate boards. His career path has established him as a thought leader on innovation and disruption in our increasingly digital world. As a speaker, author, venture capitalist, and board member, Terry has been helping companies use the tools and techniques he's developed to keep up with the rapidly changing world. Terry began his career as a travel agent, jumped into 2 startups, and then spent 20 years at American Airlines serving in a variety of management positions including Chief Information Officer. While at American, he led the team that created travelocity.com, served as CEO for six years, and took the company public. After Travelocity, he served as a chairman of kayak.com for seven years until it was sold to Priceline for \$1.8 billion. Terry, we want to thank you for joining us on this episode today.

Terry: Hey, it's great to be here. Thanks for inviting me.

Shawn: Absolutely. So, let's dig in. So excited to have you on with us today. So, Terry, you're a luminary among the innovation ecosystem, your books, and speeches, presentations, and advice are sought after all over the world. So, you made a remark during your 2017 TEDx talk at Lake Tahoe that you are on Medicare. You don't need to be taking risks anymore. You do it because you want to. Where does that want, where does that desire, where does that passion come from? And what drives you to do more, be more, and change more in this world?

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Terry: Well, you know, I think I'm very lucky. My mom made me curious. When I was little she took me to the library and I became a voracious reader and I still am today. I read very broadly, whether it's magazines or online. It could be everything from history to Popular Mechanics. And I think studying widely is extremely helpful for an entrepreneur because we're about putting things together in combinations nobody's ever thought of before. And secondly, my dad, you

know, he was a tinkerer, he was a hand radio operator, and liked to build things. And we built go-carts, and radios, and put together stereos back in the days when you could do it yourself. And so, I became kind of a builder.

And I've never lost those two traits, I think. And to me, you know, moving forward and change is exciting. There are a lot of people who are afraid of change. They want to hold onto the past and they're afraid of the future. I can't wait for the future to be here, and I want to be part of changing it. So, I've always been that way and I'm glad I still feel that way, even though I'm on Medicare, I'm still doing things. My last startup didn't work. It failed. And I look at that as a \$15 million postgraduate course in what not to do. I'm still learning.

Shawn: I'm so glad that your honesty and transparency came there. We live in a world where people don't even want to talk about failure, Terry, right? And here you're a big time executive and you talk about your last startup failed, was an expensive learning opportunity. Can you tell us like, what did you learn? What was the one nugget that you walked away from that and went, "Wow, this is my biggest learning from that."

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Terry: This was a AI startup, and it started because I got a call from Ginni Rometty, the chairman of IBM, who I knew, and she asked me, "Could I come up and teach Watson, IBM Watson, about travel?" So, I worked with them for a while. That spun out. They invested in a startup, but you know, we were taking technology first and then looking for the problem. I think we solved some really interesting problems. We did some amazing stuff with voice that really increased travel bookings. We did some terrific things with image analysis and review analysis. But it wasn't until the company failed that I managed to see a report from McKinsey that showed of all the industries who are adopting AI, travel was dead last. So, I was pushing a rock up a mountain. Travel just isn't using AI. They should be. They're the biggest part of e-commerce, but they're not. Even though I knew the industry well and I figured out what to do, IT just wasn't ready to take the risk of AI.

So, I learned maybe to study more, we thought we'd done enough. We zigged when we should've zagged. Right at the end, we moved from selling to IT to selling to marketing, and that worked a whole lot better because marketing guys take a lot more risks than the IT types. But it's just, we needed a longer run-way and the money wasn't there. And that does happen.

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Michael: Wow. And on that note, Terry, just studying your history and all of your story, I find just hugely both fantastic and inspirational. And in that, I know that you were working inside

American Airlines and things were going great, right? It certainly seems like you could've stayed there and yet you took that big jump and jumped into what eventually became Travelocity as a startup. What's that like? What happens in that? I've taken smaller risks that basically debilitated me for weeks, so I'm just in awe of someone like you who's willing to take that kind of risk knowing that something's out there and then for that to turn into such a successful venture. I mean, for me, panic moments are normal. There had to have been panic moments, right?

Terry: Oh yeah.

Michael: What were some of those things you lived through?

Terry: I had taken risks before. When I did my first startup, I was single. I was 21. I didn't have any money anyway. So that wasn't a big risk. When I did Travelocity, I was CIO. I had a big salary, a big mortgage, a family. But being a CIO turned out to be quite boring. It was sort of an orchestration job and I just thought this online thing was going to be big. So, you know, I went into it with my eyes wide open and I knew the economy was good enough. I could go be CIO somewhere else if it didn't work. But I really wanted it to work. I'll tell you the hardest thing that happened to us, there were a lot of people inside American who were envious of the amount of money we were spending and losing because every startup loses money. And they said, rightly, to the bosses, "We can put that money to work right away and take it to the bottom line." And they were correct.

So, after all that carping, my boss gathered all the executives together from our Sabre division and we had a Harvard style debate about whether to keep Travelocity or sell it, because we could have sold it for a couple hundred million bucks. And I didn't get to participate. I had to just watch. I was scared to death. In the end, the ayes had it and we decided to keep Travelocity. And the best part about that was it shut up all the carping because people had gotten all their arguments on the table. I asked my boss about 10 years later, I ran into him and I said, "What would you have done if they said sell it?" He said, "Well, I wouldn't have sold it but I don't know how the hell I would have figured that out." (Shawn and Michael laughing)

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So, it's hard inside a corporation. I moved out of the building because I wanted to change the culture, right? I worked hard to separate us from corporate purchasing and corporate finance, and even parts of IT because they move too slow. I had to go outside for advertising because Sabre was a B2B company. We were selling computers to travel agents. They didn't know anything about consumer advertising. So, I had to separate my budget, right, and really become

a little corporation inside of American, which wasn't done. But doing those things, and I also brought in a bunch of people in from the outside. And that took me a long time. You're not supposed to do that. You're supposed to hire from the inside in big companies. I said, "Look, I already got those guys. I don't want more of them. I want different guys and gals."

And those four things were very important. And in fact, they're in my book, which is called, "ON Innovation." And it's one of the reasons I get to speak so much is because corporations want to understand how they can do that. And it's about putting an idea in a greenhouse. It's like a flower in the spring, you have to protect it until it grows up. And then you can take it out and either split it up, spit it out, make it a department or a division. But when it's small the corporate white cells will surround it and kill it like a germ.

Shawn: Yeah. You talk about it. It sounds so simple, right? Like you go start this up, you pull it out of the company, you go do this. But it seems like in my experience, and what I've worked and done in some of that space too that people struggle with that. And I'm sure you saw it, like you said, in American to do that. But you've done it successfully several times. Do you think that's your secret sauce? Do you think that's a methodology that everyone could use, or have you just been lucky at it?

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Terry: Well, luck always plays a great part in all the success. But, you know, I was lucky in that, you know, I did my first startup at 21. Did that for 5 years, turned that into the 50th largest travel company in the U.S. Then I jumped to my second startup which was selling mini-computers to travel agents. That company got sold to American Airlines. So, I'd done 2 small companies. Then, 18 years at American, I had a couple of thousand people on a \$300 million budget. So, I knew how to run something pretty big. And that's kind of unusual experience because many times the entrepreneur who's great at starting isn't so good at running, right? And I'd done both. So that was very helpful to me in Travelocity. It was helpful to me, you know, by the time I became chairman of KAYAK, I'd been on several public boards. I knew a lot about board work, I knew how VCs had worked. So, I had a lot of real-world education along the way that's been incredibly helpful. And, you know, that's one of the reasons now that I do so much board work and I work with startups all over the world because I hope I can give back to them some of those learnings that I painfully got and caused me to lose my hair over the years.

Shawn: You're quoted to saying, and I love this, "That we are at a time when two guys and a dog in a garage in Silicon Valley have as much computing power as the biggest company in the world." I'm sure that doesn't make people that work in the world of IT happy. Why have you

made this decision to focus your energy and your guidance on corporate innovation, on corporate boards? Why do you stay there and not go more back into the startup space that are really disrupting these companies?

Terry: I really do both, but let's start with the first part of your question. You know, I, look, corporations have tremendous assets. They have the sales force. They have the supply chain. They have the brand. They have the factory. They have capital. They just lack the will to change. Their discovery muscle gets a whole lot stronger than their delivery muscle. And you know, the smart ones can change but many have a hard time. So, I'm happy to help them because I'd like to see America continue to be an innovative country. You know, we're ceding a lot to China and to other Asian countries today who are moving faster. And we don't have to be that way because we're very innovative. And big companies can reach out. They can go to Silicon Valley. They can learn from startups. They can acquire them, or they can invest in them. And they can change and be successful.

And of course, there are many companies who have. I mean, look at American Express. They started as a freight company. IBM has reinvented itself three times, and maybe with Red Hat they're going to do it a fourth time. I just spoke at 100-year old company, the Hartford Steam Boiler Insurance company. They insure boilers. They just got into the Internet of Things. And I said, "How come?" And they said, "IOT devices are like boilers. They're critical for manufacturing. They're going to break. They need to be inspected so that they don't break. We do that and they need insurance." That company is going to be 200 years old. So, in helping those companies, I think there's lots to be done in major corporations if they can just get out of their own way. I like to help them.

Now, on the other hand, I do work with lots of startups. I'm an angel investor. I'm on two startup boards right now. I work for the U.S. Department of State and Travel around the world speaking to incubators and startups trying to help them. So, I kind of do both but the corporations have more money so they can hire me to speak. I like that part too.

Michael: That's such an interesting lens to say that they don't have a desire to change these companies. I think for me, I've always thought that maybe they did have a desire to change, they just didn't know how. They didn't have the capability to do it or just needed a little bit of push.

Terry: It's, there's so much focus on the quarter and making the quarter and pushing out the product and improving the quality. And you know, I don't have to change. And so, I'm spending a lot of time convincing people that they ought to change. Now, where are we today? A huge

disruption, COVID. Travel's off. The restaurant business is in the tank. A lot of businesses are going to change, and they're going to make changes. And I just read a survey, 70% of European executives say that digital transformation is going to accelerate because of COVID. So, people are going to be applying robotics, and 3D printing, and AI, and all the technologies I talk about in my book, "Disruption OFF" on an accelerated pace. So, you know, crises have a way of focusing people's attention. This is a terrible crisis. I wish it had never happened, but now that it has, let's not let it go to waste.

Michael: Is it the catalyst to get over the fear of change?

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Terry: Yeah. I think because people have to change. You look at your future. If you're a cruise line, you say, "I got to change." If you're a hotel, "I got to change," right? Or I was on a public board meeting yesterday where they said, you know, "Our company has always been opposed to working from home. The new CEO we got six months ago says, 'look, it's working great. I'd like to get rid of our building. I don't need to pay for that real estate anymore.'" I'm thinking of lot of new ways to work. My son is a game company executive. His company prohibited working from home. Now they have 5,000 people working from home. It's great. Amazon's contactless store, Amazon Go looked kind of crazy a year ago. Now it looks like they had a crystal ball, right?

So, everybody's going to have to go that way. There are a lot of these changes that companies are looking at as opportunities. I have a friend, lives in Chevy Chase, Maryland. He sent me a picture of his dog barking at this little robotic grocery delivery robot that was driving by on the sidewalk. Well, those were prohibited before, but guess what? The rules changed overnight. Same thing for telemedicine. So, who's going to be the leader in telemedicine, right? Who's going to be the leader in robotic delivery? Who's going to jump on drones faster than anybody else? Who's going to flip their business model to respond to these changes? Those are the people who are going to be the leaders coming out.

And, unfortunately, I think, you know, also right now, that VC backed startups are going to have a tough time. New ones aren't going to get funded right now because VCs are trying to keep their current ones alive. So, it is the existing well-capitalized companies and well-capitalized startups who got a shot at coming out of this better than they were before.

Shawn: Yeah, that's interesting, this whole VC world, right, that you see VCs now lending money to these big corporate companies so they stay alive, right? And you've talked some about the two books, "ON Innovation: Turning ON Innovation In Your Culture, Teams And

Organization." And then just recently in 2019, "Disruption OFF: The Technological Disruption Coming For Your Company and What To Do About It." We kind of have a tagline here, our tagline at MOFI is disrupt or be disrupted.

Terry: Yeah.

Shawn: So, we are going to have a new norm coming out of this virus. What is the travel industry, in your opinion, what's the biggest disruption they're going to have to do business model change coming out of what's happening right now with COVID-19?

Terry: Well, I think the first thing they're going to have to do is engender trust. And that's not going to be easy. Hyatt just worked with somebody to create like a seal of approval for cleanliness on their hotels. People are going to have to believe the hotels are safe and clean. People are going to want contactless hotels where... You know, I hate these hotels where they say, "We have app check-in, please use the app and come to the front desk." Why? Why do I do that? Why not just go to the room? I can use my phone to open the door. They kind of miss the point. They're going to have to understand contactless well.

Airports are changing. Etihad has a new check-in system that takes your temperature and checks your respiration. And if you're not within norms you're going to the ticket counter, you're probably not getting on the plane, right? That's going to happen. Temperature checks, I mean, I'm on the board of Boingo. We run the Wi-Fi and cell service in most of the big airports in the country. There are all kinds of new opportunities because it's going to be track and trace, take your temperature, check your respiration, are you social distancing? All that stuff is going to be delivered by tech. So that's a big change.

I think, another big change is that international travel is going to take a long time to come back, domestic travel is going to be where it's at, and road trips are going to be bigger than ever. Road trips are already about half the travel in the United States but there's no Travelocity for road trips. You know, a couple of startups but somebody is going to go big and get that done. I'm on the board of a company that is trying to be the Airbnb of RVs, recreational vehicles, because they sit around most of the year. Well, RV's are going to be big. Hey, "It's my own airplane. It's my own hotel. It's my own restaurant. I clean it myself. I don't have to worry about anything. I just drive to the national park," right? So, I think hotels are going to have to refocus. Business travel is going to go down because people have proved they can use Zoom, so that's going to be tougher on things. And they're going to have to rethink their models. Cruise ships, I got no clue. They're going to have a hard time for a while.

Shawn: Yeah, you're breaking my heart there, Terry. I spent some time at Disney Cruise Line and then it's probably our biggest vacation that my family takes. We just had to cancel our Alaska cruise this year. But it is. This trust... You know, Michael and I had to travel at one point in March and walked into a hotel where we were with 2 other people, but we were 4 of 20 people staying in 150 room hotel.

Terry: Wow.

Shawn: And we're pretty loyal to one brand but, yeah, I mean, it's an interesting perspective on how you say that and especially the international travel piece, you know. I know you do international travel.

Terry: Oh, a lot. Yeah.

Shawn: We've done it a lot. And how the airlines are doing it, I saw where Emirates Air is doing these...where they do a blood test.

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Terry: I think travel has a hard time. But I think other businesses are going to be so creative. I have a neighbor who runs a big restaurant chain and, you know, they're rethinking how they're going to do it. Instacart's hiring 300,000 people to deliver groceries. McKinsey says half those people will never go back to the store. I don't know why I would, we're ordering and it's working great. E-commerce is up 47%. People aren't going back, you know. So, I think that people have to rethink.

Terry: You know, Zappos lives on sending stuff out and getting it back. So, they're going to have to build a huge, disinfectant tank, right, for everything that comes back for a while. Business is going to be different. But look at how much we've been innovating. People are using 3D printers to build new kinds of door handles, to build masks, to build respirator parts. And I think companies are looking at these long supply chains and saying, "Hey, I'm going to stockpile," which is a very 19th-century term, instead of just in time, because I can't take that risk again. I've talked to other large companies who've said, "We're going to split our departments across countries so that if one country gets ill we don't stop doing something." I talked to another company who said, "Our business process outsourcing isn't allowing us to close our books because the outsourcers are sick, so we may have to bring that back in or change how we do it."

Michael: Absolutely.

Shawn: Wow.

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Michael: Speaking of all the travel that you were talking about your life of course has been centered around travel. I'm almost afraid to ask, how many countries have you been to?

Terry: About 106 or 107. Something like that.

Michael: Oh, my goodness. That's fantastic. Well, and we know that when we travel, we change, right? Every time we have an opportunity to be in a different context and be with different folks we change. I would love to know how all of those travel experiences have affected your business mindset and your innovation and your disruptive mindset of how that all goes together. I have to believe there's some connection there.

Terry: Oh yeah, no question. When I give commencement addresses, and I do them every couple years you know, I encourage all the students to travel right then. I was very lucky. I thought, when I graduated from college, I was going to the Vietnam War. I had a low draft number, but luckily, I got rejected because of my eyes, would have gone if I had to, but was very happy not to. And so, my roommate, his father was a pilot for TWA, and he had a free pass. He said, "I'm going around the world for a year." I said, "I'll go with you." So, three of us spent a year going around the world, best postgraduate education I ever could have had because I learned so much. I learned about how amazing America is because I saw the lack of freedom in other countries. I also learned why people don't like America, right, because of some of the bad things we do. I learned how different perspectives can get to the same place. And I think it's really helpful to see, you know, success and how it's shaped around the world.

Now, what's cool today is as I speak to these startups, and I've been to Mexico and Malaysia, Iceland, even Outer Mongolia, everybody's in black turtlenecks and blue jeans and they're changing the world. They're kind of the same around the world. And that's interesting. But they look at their country and solve the local problem in a local way. And that's always mind bending to say, "Can I bring that back to the U.S.?" Looking at China, you can't use a credit card in China anymore. You could only use Alipay. And Americans go over there and say, "Well, won't you take my credit card?" "No, get a phone," right? We don't do that here. We're not that advanced. So, I think it's fun to learn from others.

Michael: That's huge. Absolutely.

Shawn: As we start to close here, Terry, we have a little bit of fun here at the end. We call them our combustion questions that we've written during this time. Three questions, they're going to be fun for you to answer just for people to learn a little bit more about you. And Michael has been working diligently on them as we've been going through.

Terry: Do I get to call a friend or have a lifeline, or anything?

Shawn: No call a friend, no lifeline on this.

Terry: Okay.

Shawn: You know, you can't say pass, none of that.

Terry: All right, let's go.

Shawn: So, we're gonna jump right in, Michael.

Michael: All right. So, Terry, here are your combustion questions. Number one, if you could have a never-ending candle that smelled like anything you wanted it, what fragrance would you want it to be?

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Terry: North Woods.

Terry: I spent 12 summers canoeing in Canada and I'm a chairman of a Great Big Boys' and Girls' Camp up in Northern Minnesota where we get out in the woods every summer. I love it up there.

Michael: I would love that fragrance. That would be great.

Shawn: I want to go to the camp.

Michael: Right.

Michael: Number two, do you make your bed every day or no?

Terry: I don't. When I was a bachelor I did, and I was a bachelor about five years ago for a while. Now I get out of bed and just get at it, and my wife says, "Why didn't you make it?" And she makes it. So, I should. I've listened to Admiral McRaven's speech about make your bed but he hasn't convinced me yet.

Michael: I'm with you.

Shawn: Well, let me have a talk with her and we'll come up with a better plan because you have to make your bed every day, Terry.

Michael: Or you don't, either way. (Shawn laughs) Final question. What do you think about jellyfish?

Terry: Well, I think they're beautiful to look at and I wouldn't want to touch one. And there are a lot of things like that in life, aren't there?

Michael: Exactly.

Terry: Just like, "Naah, I don't think I want to go there." So, I think they're cool. I heard manta rays are even cooler.

Michael: Oh, I love manta rays. Yeah.

[00:26:13]

Shawn: Well, you know, Terry, thanks. What a great amount of knowledge. Just love it, being a traveler myself, hearing your perspective and where we're going to go in the travel industry. And we thank you so much for your time today and your knowledge that you have just given back to us. So, thanks, stay safe, and be well during this time.

Terry: Well, thank you very much. And to the audience, if you want to learn more, it's "ON Innovation" and "Disruption OFF," both available on Amazon. Really quick snackable reads, I think you'll have fun with them. And really thanks a lot for having me on today.

Shawn: Awesome. Thanks.

Michael: Thank you.

Shawn: Thank you so much for listening to this episode of "The Combustion Chronicles." None of this is possible without you the listener. If you'd like to keep the conversation going, look up Man on Fire on Facebook, YouTube, Instagram, Twitter, and at manonfire.co. Give us a shout. Let us know what you think. And please, subscribe, rate, and review if you like what we're doing and if you don't do it anyways. And remember, always stay safe and be well.