

Transcription - Paul Cuatrecasas Part 3

Welcome back, I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec. We're up to the third part of our discussion with Paul Cuatrecasas and we're going to talk about education for incoming personnel in our organizations as well as his book.

The intake, so people who are starting with organisations, do you think they're coming from an education system that encourages them to think in an entrepreneurial way? It's a great question. I don't know the answer to that because I think probably systems are becoming more different throughout the world. They would have been very standardised, not that they aren't today, but going back, fifty years, 100 years, it would have been quite standardized. But what we're finding today and even before the pandemic, is that different education systems will be teaching children and young people different things in different ways. And I think in the pandemic that difference has really accelerated. So there's more hybrid learning today and certain schools will be using certain bits of software that very often adapt to the individual student. And that is where we're going to see personalized learning and not tutoring.

I mean there is more tutoring but there's also more tutoring in a digital sense and we're going to find that I think. It's a great question and we spend a lot of time in the education industry, not there are a lot of companies operating in that area but it is prime for disruption in a positive way.

Any great problem in today's society, when we look at the world we live in, in the West, in the US and parts of Europe, you know, you look at things and you think cause and effect and you look at the effect and think, my God things are not in a good state, they're not the way they should be. Well, where does it start?

It starts with education and the family and education and so I think we're going to have more personalized education and that software and virtual reality and augmented reality systems are going to have a lot to do with that. It will advance the learning. The thing we have to watch out for, is that certain children and young people aren't disadvantaged because they don't have the same access to equipment, or broadband or 5G, or whatever it might be. And so, that's going to be the great challenge for educators is to be able to stimulate more personalized learning that can be done. The classroom is critical, the classroom shouldn't go away in my mind, just because of the social element. I mean, the social element impacts the children in a major major way. I've only kind of realized it for myself with having three young children. Do you realize that academics are almost

dependent on how they feel socially, whether they have friends or not? So it's really important.

If the kids are ever isolated like to have been in lockdown with online schooling, it deeply affects their ability to deal with the world, let alone be educated. So it's a hybrid approach of being in class with all the social elements but also taking advantage of all this new software and programs and apps that are coming out. And then we're going to have, as I said, 5G and we'll have some amazing applications with holograms in VR and AR. I mean they exist today, they're a little bit more in the lab. But now that people will 5G broadband, infrastructure and private 5G networks on campuses, schools, in University, it's just going to be phenomenal. And so, you know, I just hope the educators take advantage of the tools in the right way. It's very exciting actually.

I think it's going to be, one of the new competitive tools of nations, is education. And, you know, Korea, China in particular, I think they know this and they're investing heavily in it. China's investing very heavily, not only in quantum computing and AI, I'd say even more so than the US and certainly in a centralized way. But also in education there many many scientists, Chinese scientists, are getting or have gotten their PhDs, for example, in US universities and then have gone back to China. And we may see more and more of those scientists staying home in China as the technology improves and education there improves. They won't need to go unless they want to for gaining perspective which we talked about before. I think that's something to really take seriously and watch out for from a competitive nations perspective. I think that's going to be very important.

Very good insights, yes. We've probably covered all the things that we were hoping to talk to you about. We haven't asked you about your book. Would you like to tell us about your book?

Well, I've been talking probably about a lot of things that are in the book. The book is Go Tech Or Go Extinct and the subtitle is how acquiring tech disruptors allows established companies to survive and thrive. And it's really about ultimately, how established companies can continue to grow and to attract the right talent, retain their talent. And the ways to do that, we believe, aren't just doing what you've always done and doing a little bit better and not just optimizing. Optimization is what every company has to do. Innovation is a buzz word that's overused because every company has to innovate. What we're talking about it and what I'm writing about in the book, is going beyond that. Going to be on that isn't that difficult. It's just a decision. As I mentioned in the

book, it's not a "how to" but I give some guidance on how to do it, but it really is stretching and understanding who we are as a company. What do we do? What value do we offer to our customers? What are we all about? What's our DNA, what's our culture? And how do we bend our culture towards where our customers are going? And our customers behavior, whether it's consumer retail, or whether it's enterprise, a large organization, behavior of customers is changing faster and faster and faster because of the technology we have available.

This pandemic has helped some people wake up to that. But it's the human behavior, and in some cases pets changing because of their human owners, but it's the human behavior that is changing. And we want things differently. We need things differently. We take for granted how spoiled we get. So once we've had something fast and it works, that's it. If you've done things over a mobile phone, ordered something, asked for something with a click, and it happens like that you can no longer bear to wait on the phone for 20 minutes for help. And you apply that law to everything. You can start to connect the dots and see that means our business in ten years or twenty years is going to be, or even five years and I give it a lot of examples in the book.

One of them is Mary Barra at GM whose brilliant. In 2016 saying that we are going to do our very best to try to in-house create the best, self-driving vehicle technology because we know that in ten years time, most cars will be electric self-driving vehicles. It's going to be very different products that we're selling. And unless we're selling the best, we risk our legacy, we're not going to be the next Kodak. And I don't know if she said that or not, but I'm pretty sure. I wouldn't be surprised if she would have told her team we are not going to be the next Kodak, that we can't let that happen. And they went out and therefore they acquired the very best self driving software company in the world called Cruise Automation. They paid over \$600 million cash for this company which had zero revenue and maybe a hundred employees. Zero revenue for a big automotive company that's making billions of dollars in profit to pay so it was a bet but actually has become a bit of a reverse takeover. So a brilliant move and so Cruise has grown, its raised money, GM have diluted its interest model from 100% but still over 50% by raising billions of dollars, they've licensed their technology to Honda as well as receiving investment from them. I think the last valuation was worth 18 billion dollars and GM is a great example of how to adapt to a world that is rapidly adapting even if we don't see it, we know it's changing and consumer behaviour is changing.

GM took action like Walmart has done with jet.com. So I give examples in the

book and I give examples of how companies can think about it for themselves, how important people are in talent and how you can retain that talent, how to attract the right talent, how to bend the culture, like GM did, to where the future is going. And I think that's really the essence of it, is helping companies see and I tried to write the book in a way that anybody can kind of understand, starting out with basics, not too technical. Just the basics of how everything changed in the last five thousand years, hundred years and then into today and into tomorrow.

I wrote it because it occurred to me that it would help, with all the conversations that I was having, to provide some insight in a big picture way, not just turn up with a tool kit. Most executives are just like, I don't know what you're talking about. I don't need this and we don't need a tool kit. We're doing just fine, we're doing well. I mean, we'll just do what we've always done and I think this is my keypoint. Doing what you've always done is okay, nothing wrong with that because that's part of the culture. The key difference today from 10, 20 years ago, is the exponential pace of change and you know Peter Diamandis talks a lot about this and Ray Kurzweil that humans think a linear way. We always have, that's how we're wired. Technology, starting with Moore's Law, is exponential and exponential change is powerful. It's incredibly powerful.

If you look at the stock market charts, we published our research recently. It was Barron's profile research about a month, month-and-a-half ago, on the stock market, and we looked at the market's going back twenty years and the next 20 years. And you can clearly see that technology has far far outperformed every other sector including the dot com crash, you know, in 2000-2001-2002, including the crash. Why is it growing exponentially now? There are reasons for it and it's not just the biggest companies, it's the mid-sized companies, smaller tech company startups. It's taking over the world in every single way and it's growing exponentially fast and so the messages to companies is just to realize that yes, you can keep doing what you've always done, do it well with your culture but you got to do a little bit more now. It's going so fast and if you acquire the right tech company in the right way and that's key, both of those things, you can't have one without the other. You've got to find the right company for you, it's the right fit and acquired in the right way, which is all about people and getting the terms right with the right incentives, then that company that you acquire can become the catalyst for your next 50 years.

Look at Walmart with jet.com. That's precisely what they've done and that acquisition was August 2016. So its been 4 years and four years later, Walmart is a standout performer in the retail industry. And I would argue that if they didn't

do that first deal which brought in incredible talent from jet.com which helped transform walmart.com website, which has been a mess back then. They've gone on to acquire other digital brands, they acquired flip card in India for 16 billion dollars. They wouldn't be where they are today, Walmart may not even be around. Because if you look at the share price charts in 2016, Walmart was going down and Amazon was coming through. So Walmart, may not have made it. And by the way, guess who didn't acquire jet.com? Sears. Sears is bankrupt, there's KMart, there's JCPenney. There's a lot of other retailers that could have considered buying jet.com at a 13 times revenue multiple, which was quite expensive in the mind of an unsophisticated retailer. Look at the change and, you know, there are many examples like this. Now we have a newsletter, we call it Lessons from the Non-Tech Acquiring Tech - Deal of the Month. And there are many many lessons and more and more companies are doing it. And that's the book, it is really just about helping slowly because sometimes you need let it sink in. Having it sink in a bit so that perspective is gained. And so that is, as executives go about the world, as they read the news, as they talk to people, they start thinking, you know, maybe we could, maybe we could do something like that. That's really what it comes down to.

Paul, we really have used up our time. It has been fascinating to talk to you. Thank you again for taking the time to share your expertise with us and we look forward to catching up with you in maybe 12 months time and see what you've done. Great, look forward to that Kim and thank you.

So there we have it, our final discussion with Paul Cuatrecasas, certainly a lot of food for thought so we will leave you with that. I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec.