

## Transcription - Paul Cuatrecasas Part 2

Welcome back, I'm Kim Baillie, she's Fulyana Orsborn and this is Inside Exec. Today we are continuing our discussion with Paul Cuatrecasas and in this episode we're going to hear Paul's views on entrepreneurship and how you can incorporate that into the decision-making in your organization.

In all of that you've covered a whole lot of things we were going to talk about anyway. Just for you personally, what is the biggest management challenge? In my company and how we're growing? Or in your career. Sure. I think for most people it comes down to Darwin's thesis, of not the strongest who shall survive, it's the ones most adaptable to change. I really believe that and I have lived long enough, you know, tell the tale. It is absolutely the case. I was just reading yesterday that in the city of London, which has, for who knows how many years, been the center of finance with human beings marching down on trains and the Tube to their offices. It will become more of a ghost town so to speak and they're looking at using more of those office buildings as serviced offices, as incubators, places that can house more tech startups and so on. It's just an amazing thing, but I'm not surprised. I know I've been thinking about that for years. As we walk down the streets of the city or we're in a taxi or car looking up, you know, you have to think how long, how much longer will these buildings need to be filled with people because so much of it can be done through software, through software robots, and so on.

So the challenge is adapting to that in every industry and for us, we've adapted as a firm. So our firm, traditionally in the last 30 years has been advising tech companies and startups on either, raising capital, institutional capital or helping them sell out, exit to, typically, a trade buyer. That's what we call Southside, is essentially is most of the work we've done. And so we've had our own transformation and adaptation which started about four years ago with this what we call Techquisition, which is the large corporate, the incumbent non tech company having to adapt by not just in-house organic work, but by investing in or acquiring a technology company or digital company, which isn't easy to do. So we've had our own challenge there and it's been like being a start up again and so that's been the challenge and I think it's going to be fun now. I think that the a lot of the hard part is over, we're not out of the woods yet because it's still so many companies are struggling to see the need to do it. Unfortunately, the more companies that bite the dust, the more that the surviving company see the need to, they really do have to do something. So that's certainly benefiting our effort. We think it has to happen and actually soon as possible.

The challenge also is talent. I think that young people today are so different from 20-30 years ago. The things that they want are really, really different. And so we have, like every company, we have to adapt to that because young people are the future. We've been working with a company based in Dubai, called EQ Exponential. Really interesting guys that are spin out of Singularity University. I really like what they're doing with some diagnostic tests of cultures of companies. I won't get into that but I bring it up because they are offering something called "Board as a Service" and they believe that it's important that every established company midsize, so I guess at least a couple hundred million in revenue, should have an under 25 year old on their board. Not just anyone but someone who has been an entrepreneur or is designing a new digital system for business and I think it's a brilliant idea. It's very radical and I think most companies will just reject the idea for all sorts of reasons, but there will be many companies who do it. And I think it's a brilliant idea because business is about perspective, like about perspective, and the more perspective you have, the better. There can't be anything wrong with having more perspective. If you don't like someone else's perspective, you can always say, look, I don't agree with you or say no. It doesn't mean you have to accept their opinion of you either, but the important thing is to have the view, to have the perspective that you didn't otherwise have, especially when things are moving so fast today. And I remember a meeting I had in Scandinavia, couple years ago where one of the companies, it's a major component supplier to the automotive industry, said you know we haven't had much innovation in this area. I think it was braking, we haven't had much innovation in braking in the last 40 years. But we've had more innovation from Tesla in the last two years than we had in this previous 40 years. So that's an example. By the way, we hear that all the time and so in many industries, if not almost every single industry that I can think of except perhaps pharmaceutical and chemical industries for reasons we could talk about later, but there's just so much change going on. It's adapting to that change across the board which is key.

In our 200th episode we got our previous guests to send us their thoughts. Almost mirroring what you are saying was a fellow from New York whose very versed in Wall Street and his greatest concern was that there were all of these organizations who were going to do nothing and this was a big opportunity to change and change radically and he felt it wasn't going to happen and if they didn't they were going to be gone.

Yes, we could go to the story of Kodak. I think it's interesting because the board knew, they knew from the very beginning that they had a lot of the patented technology for digital photography. They were presented with the early digital

cameras, the comments that I hear were mentioned in the board meetings was well, you know that's really cool but it's nothing like these beautiful photographs that we, Kodak, make and then it's not going to go anywhere anytime fast. The board watch the share price decline in the straight line over 10 years and they tried a few things and marketing and so on. But it's almost as if, when you look back in hindsight, it's almost as if the board said to itself, you know human beings only tend to live 85, 90, maybe a hundred years, don't you think, you know, maybe companies shouldn't live any longer either. It was almost like they allowed themselves to die because they were reaching their hundredth year. And they just said, well, it's time for us to die.

It's actually quite an interesting concept. What makes a company live and thrive and want to live and thrive and grow? What makes a company want to continue? It's in the makeup. It's in the DNA that every company is different. Just like every human being is different. Every company has different DNA and some companies want to live and grow, and grow, and never stop growing even through different CEOs. Look at Microsoft, who would have thought that Suchin Adela who was an internal hire, who would have thought that he'd come in after Balmer, about 10 years, and achieve the transformational change that he's achieved. You look at Microsoft. You think well this company should have died when Netscape did the IPO back in 1995. They had nothing in the internet and Gates said don't worry about the internet until he said drop everything you're doing and work on the internet. And so you look at Microsoft, you think it was amazing but really go back to those days the mid-90s, they turned that ship around, which is completely dependent on the operating system software. They turned it around and look at Microsoft today. That's a company you think well, they reinvent themselves like apple has done constantly. This is back to the point about adaptation. They're great examples of companies that have completely reinvented themselves and adapted and been phenomenally successful and made a lot of happy people in the world today because of their products and their services. And so you know from that argument or that perspective you'd say is don't let a company, don't let a great company die. A company should reinvent itself and change. IBM has done a similar thing but some companies they sell out, you know, they, for whatever reason, recognize that changing is too difficult.

It's not just adapting, it's also the speed in which to adapt. Things are moving so fast that you can't think, I'll think about it and I'll digest it. I think you've got to have that brave approach and take the risk with the reward that comes at the end. It's hard to change. Humans, many humans, won't agree to finally change their diet until they have a heart attack. Humans or companies it's hard to change, it's always a decision. It's always a decision. We talk to our clients and

say, look, this isn't that difficult. It's as difficult as you want it to be, but it all comes down to a decision. If you make the decision and you will do it in most cases, I think, every case you'd be pretty happy, you made the decision. We sold the company Thomas Cook in the UK a couple years ago and had some enlightened individuals there, but not everyone. The problem with that company was, as a board, an executive committee, they were overly focused on refinancing their main bank facility instead of really making the changes necessary to the business model, which had 500 shops that people would go into to book their flights instead of book everything with one tap on your phone. As a company, rather than as individuals within the company, as a company they couldn't do it and so they didn't make the decision to change, to transform and now they're gone. Same as Toys R Us, same with Hertz, a lot of examples and they can blame it on debt by the private equity but that's an excuse, it's really not a legitimate reason. It was more that they didn't make the decision to a change. It was more that they, as a board and management team, were overtaken by limiting beliefs. We can't do that, we can't do this.

I've got a question on your career front. You were in mainstream finance and then you switched to your own company and doing what you're doing now. What was the trigger for that? What was the excitement? How did you make that switch? You know I don't know if anyone has ever asked me that before. It was back in 1993 and my boss and I were working, we had created an SCA regulated investment banking arm of a consultancy that was formed by 5 ex Bane Partners. Successful consultancy, doing very well, about 70-80 staff but we were doing deals. We were doing deals for the companies that the consulting team were working on and we were really doing well, but it was at the time of the digital, it was called the information superhighway, if you remember that. I had talked about it and Golden had come out with their "Communicopia" research and it was the beginning of seeing the merging of communications content with telecoms and the digital fiber. And we saw that. And then we had a telecoms client and we knew that deregulation was coming in Europe of telecoms and privatization was coming. And it just felt like the time was right to set up our own firm in London to cover Europe at least to start with, or this new thing called, you know, technology which was emerging technology in 1993. Telecomms were to be privatised and be regulated. And, you know, I went to my boss and I said to him, I said, let's become partners and set up our own firm. And he said, yeah, I'm with you. Let's do it. We did get a sponsor. So, ICL Fujitsu in London was our first client, they sponsored us. They effectively said we'll be your first client and our employer didn't like it. So they filed an injunction against us. We negotiated an arrangement. We shared fees, I think, on that client and it was all fine in the end. One of the partners became a client of mine and a friend. So these things

all worked out. But that was the trigger, was the vision we saw of this incredible event in Europe and moving in to mobile phones, 2G and texting had all started and it worked better than we had expected. We didn't know what to expect except it's exciting to start your own company but ICL Fujitsu ended up becoming a client over 10 years through three different CEOs and we must have worked on 30 or 40 different projects around the world for ICL which was a fascinating time. But it is a lesson there, is you go with your gut, you know, your instincts, very, very important. You can get all the advice and read all the books, get all the instruction, nothing wrong with that because that informs your gut, that's how I look at it is by reading and listening and including podcasts like this, getting all learning you can. As Warren Buffett says, you know, the best education you can get ever is in yourself, learning as much as you can learn, and that tends to inform your gut when it comes to making the decisions which are critical and everything comes down to a decision, you've got to make the decision but that decision is informed with your gut and that doesn't mean it's always going to be right. They don't need to be bets. You can have the context of an experiment, the context of an investment, and you make those decisions, knowing that not everything is going to work, and that's okay. And when it doesn't work out, it doesn't work out.

So not taking it all on the chin, not taking it personally. It's not a judgement of you as an individual. That's one of the challenges and that's why I like being an entrepreneur and why I like working with entrepreneurs. I think entrepreneurs are special people and the general public tends to mainly see the headlines which more often than not are the entrepreneurs that have really made it, billionaires, etcetera. Sometimes I'll read about the entrepreneurs who fail. But many, I don't want to say most because I don't know the precise numbers on entrepreneur fails. Maybe they don't fail but they have experiences of failing and very, very hard times, they keep a lot of it to themselves because they don't want to appear as vulnerable or exposed. They want to appear strong, they're an entrepreneur and they have to lead a team and they have to hire people, they have to be, always let you know, on their game and positive. But it doesn't mean that it's all roses back in the shop. And that's something really special about entrepreneurs is, as humans they've got to be tough and they have to, they actually have to grow their mindset and I think it makes them better stronger people for the other relationships in their lives. Not always. I mean we know the stories around Steve Jobs, the challenge is there. I think increasingly today, we have young people who demand more from life and they demand fairness and they demand integrity, otherwise they just leave and set up their own little Facebook, through a derivative or digital company.

I think it's forcing entrepreneurs to be more human and to become better people and become tougher people and that's not a bad thing. But then, that's also very interesting contrast with some of the larger companies that are being led by people who've never been an entrepreneur. That's changing and there are more companies that are either recruiting teams or people that have been an entrepreneur or they are acquiring companies that have been founded by someone and the entrepreneur stays on the board and they bring huge value for the larger companies and sometimes they end up running the whole company or a big part of it and that has a big impact. It's a new dynamic that's injected into an established company that's been around for years and maybe has lost a bit of that entrepreneurial spirit.

That's a good point for us to take a pause in our discussion with Paul. Please join us for part 3 of our discussion but for now I'm Kim Baillie, she's Fulyana Orsborn, we've been talking with with Paul Cuatrecasas and this is Inside Exec.