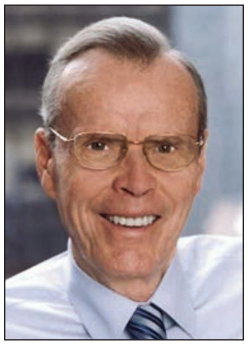
Managing Change

An Interview with Donald B. Marron, Chairman, Lightyear Capital



Donald B. Marron

EDITORS' NOTE *Donald Marron founded Lightyear Capital in 2000 and serves as Chairman and a member of the Investment Committee. Prior to this, he served as Chairman and CEO of PaineWebber Group Inc. for 20 years. In 2000, PaineWebber merged with UBS AG, creating a top wealth and asset management firm. Following the merger, Marron served as Chairman of UBS Americas until September 2003. Prior to his tenure at PaineWebber and UBS, Marron served as President and Chief Executive Officer of Mitchell Hutchins. He began his career at the New York Trust Company and, in 1969, co-founded Data Resources Inc. (DRI) with Harvard economist, Dr. Otto Eckstein. Marron served as DRI's Chairman until McGraw-Hill Inc. purchased the firm in 1979. Marron attended The City University of New York. In February 2013, New York University announced the launch of the Marron Institute on Cities and the Urban Environment, an interdisciplinary and international effort to advance vital new research and teaching on cities and the urban environment.*

COMPANY BRIEF *Based in New York, Lightyear Capital (lycap.com) is a leading private equity firm making primarily control investments in North America-based, middle-market financial services companies. Through its affiliated funds, Lightyear has raised over $2.5 billion of capital and has completed investments across the financial services spectrum, including asset management, banking, brokerage, financial technology, insurance, and specialty finance. The senior team of professionals averages over 25 years of financial services-related experience.*

The consensus seems to be that the U.S. is seeing slow but steady growth. Is that growth sustainable and how strong do you see the U.S. economy today?

Smart CEOs took advantage of the crash a few years back to make their companies much more efficient. They only kept the people crucial to running their businesses while carefully managing expenses.

At the same time, cutbacks in infrastructure and R&D will impact companies over the longer-term. However, we're reaping the benefits of the cuts now in terms of strong corporate profits.

Overall, the slow growth is more sustainable and doesn't encourage American business to take excesses. Everybody has to work to keep businesses growing in an efficient way in this climate.

Coming out of the downturn to where we are today, many are asking what has really changed. Have things changed?

As with every crash, what changed is that we gained awareness of the cyclicality of industry and of the vulnerability of the markets.

I hope that we also have a greater appreciation of the importance of liquidity. What stimulates these crashes, as much as anything else, is the buildup of illiquid assets that can't be sold, forcing investors to sell their best, most liquid assets instead of their worst ones. This is an important lesson that will provide for better growth and investment in the future.

More broadly speaking, there is also more money than talent right now. We are seeing a return not to the excesses of the past but to some of the more aggressive and creative ideas that are now creeping into the system.

For someone who understands Wall Street and investment banking, is that still a place you would encourage young people to look at for a career or has that changed?

In the past, talent had to go with big firms early on to learn, and then it stayed with the big firms to have access to capital and technology.

There's still much to learn by going to the big firms, but now the capital will follow the best talent and most technology can be accessed through outsourcing. Once talent has that base of learning, they can move on to any other enterprises.

A lot of jobs that have gone away since the recession aren't coming back. Do we need to look at unemployment levels differently?

The major change is the difference between 20th century jobs and 21st century jobs. This country has not done a great job in training the workforce for 21st century jobs. The key to reducing unemployment is discovering how to get that done. President Obama's initiatives to strengthen community colleges and begin charter schools earlier are both good places to start.

The only answer is to give Americans the skills necessary for the 21st century. We're doing a better job at that, but it's not good enough.

The outlook for CEOs used to be three to five years out. Is that realistic today? Has the mindset had to change when you look at the pace of change?

Change is always present, but the rate of change is much faster today. As CEO, it's important to have a long view of the business, while at the same time being alert enough to make quick decisions on how to best handle change.

Internally, a CEO can drive change by making investments in talent or technology. Externally, a CEO can invest in new industries or can shift the whole organization in a new direction, which is usually the hardest change to implement.

Regardless, change cannot be dismissed nor can the assumption be made that change won't affect everyone. Successfully managing change is crucial for CEOs today.

On the nonprofit side, what interests you in the work around the study of cities and what is your objective?

John Sexton's idea for NYU was to create a center for the study of cities. For the first time in history, more people live in cities than outside of them. Due to this population shift, there is a need to build an understanding of the future of cities, how to run them, develop them, build new ones, and how to deal with the positive and negative issues that come with managing their growth.

Our Institute is led by Paul Romer and is designed to build capabilities in this area, ultimately resulting in the ability to teach people how to manage cities to make them more safe, healthy, efficient, and inclusive. As a lifelong New Yorker, this is an issue that is especially important to me.

Are you surprised to see how quickly New York City has become an innovation hub and what assets does New York bring to high-tech companies?

New York provides an atmosphere of energy and receptivity to ideas. Probably the most important thing it does is provide us with access to ideas and people of all backgrounds and experiences who are building solutions to pressing issues today.

Looking at future challenges, will it be the private sector that drives change the most or public/private partnerships that do so?

We need to have public/private partnerships. In a city this dominant, with so many moving parts, we have to work with the government to form solutions and keep improving.

There was a time 20 years ago when people were worried that New York wouldn't be the financial center of the world anymore. No one says that now. This is the financial center of the world and the greatest city in the world, and we all have to help manage it better. ●