

A Business of People

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

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.



Donald B. Marron

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 \$3.5 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.

Will you discuss Lightyear Capital's focus on the financial sector?

It has turned out that the financial sector has been the focus of substantial change and regulation and has clearly been in the middle of the questions about the economy, be it interest rates or markets or volatility or liquidity, which are all big issues.

This gave us an opportunity to find investments in companies that focused on those issues and were able to take advantage of them.

When you evaluate investment opportunities, how critical is the strength of the management team?

The absolute key is management; this is a business of people. As we look at the evolution of Wall Street, and particularly of money management, we find an increasing separation between those that have been able to navigate the big change in regulation and technology and markets and those that have not.

Whatever opportunity we find, it has to have good management or we have to be able to put good management into it.

You have a long history of philanthropy. What are the keys to effective philanthropy and how do you focus your efforts?

The big issue for anyone that wants to effectively use the money they direct to charity is whether they do it with big established organizations or with smaller and more specialized organizations. We tend to do both.

We support Memorial Sloan Kettering Cancer Center just because of the basic research it does in cancer and because of the great clinical care that it offers to a growing number of people. That is a major issue for all Americans – it's amazing that cancer permeates so many families in so many ways.

I'm also involved with MOMA and that continues to be important.

We have started the Marron Institute of Urban Management at NYU. A few years ago, the world reached the point where, for the first time, more people were living in cities than were not. It highlighted the need to be thinking about how to build and manage cities, and how to deal with many of the big problems they have.

Finally, the area that is so important to me is the homeless. The Coalition for the Homeless in New York is doing an extraordinary job, both as an advocate and in taking care of the homeless, but much more needs to be done.

Are the skills needed to be successful in business transferable to being effective in philanthropy?

In the case of a business, it's about business; in the case of a not-for-profit, it's about the focus, and combining it with effective leadership.

In all the things we do, we look to find really special people we can work with and invest in.

For example, for our cities program at NYU, we work with Paul Romer, who left to go to the World Bank and is back. Paul won the Nobel Prize in economics earlier this year. He is an important thinker and has been a very serious contributor to the building of NYU's Institute and a lot more can be done there.

Notwithstanding AI and automation and technology, it's still about people.

On the philanthropic side, is it important that the organizations you support have metrics in place to track impact and is it difficult to develop metrics in some of these areas?

I think it's very difficult, and I don't think we can use the same approach as we use in business.

Here, we're dealing mostly with people, many of them hands-on people, particularly with issues such as working with the homeless.

We have to first get to know the management and be convinced that it's the kind of management that is needed and then we have to track the impact it makes on people – sometimes those are metrics, and sometimes it's more about meeting with people and getting a sense of what is being accomplished.

Education is a passion for you. Is enough being done to address education reform and preparing the next generation for the jobs of the future?

We have to realize that we now have a society where everybody feels they have to go to college, but they generally do so without having a very good sense of what that education is going to do for their careers.

We have to figure out what to teach young people that will allow them to become constructive citizens for the country. Coding is an obvious area – the demand for that skill is growing rapidly and it's a language that can be learned by young people.

There must also be other specialty areas where that should be the case.

Are you able to take moments to reflect and celebrate all that you have accomplished?

For me, and for most people who are fortunate, it's a function of building. I like to build things or be part of something being built in a constructive way. That is the heart of it. ●