

Transforming Lives

An Interview with Salvador Paiz, Chairman, Grupo PDC

EDITORS' NOTE Salvador Paiz was born in Guatemala and, through his business and nonprofit efforts, has worked towards the development of his country. He was Vice President of Walmart Centroamérica and, subsequently, board member of Walmart México y Centroamérica until the beginning of 2016. Today, he is Chairman of PDC, a private investment company whose corporate purpose is to transform lives. Paiz is deeply committed to Guatemala's transformation, thus he has tirelessly worked in spearheading effective non-governmental initiatives for change. He is a Director of FUNDESA (Foundation for the Development of Guatemala) and helped develop Fundesa's *Mejoremos Guate* initiative, which strives to create a more prosperous, solidary, safe and just nation. Paiz has also been actively involved in the transformation of Guatemala's education system, supporting initiatives such as *Empresarios por la Educación* and *Funsepa* (Sergio Paiz Andrade Foundation), which he chairs. As an academic, he was a Research Fellow at Fordham University and contributed to many documents and studies. He is a member of the Chairman's International Advisory Council (CIAC) of the Council of the Americas and a member of the Inter-American Dialogue. In 2009, Paiz was the first Guatemalan named Young Global Leader by the World Economic Forum. In November 2014, he was presented with the Inter-American Dialogue Award for Civic Engagement in Washington D.C. He obtained his bachelor's degree with honors from the Wharton School at the University of Pennsylvania and his MBA from the MIT Sloan School of Business, as a Martin Trust Merit Scholar.



Salvador Paiz

Will you highlight the history and heritage of Grupo PDC and provide an overview of its business?

PDC is a young multi-latina company with operations from Mexico to Peru. Our main lines of business are consumer goods and specialty finance. On the consumer goods side, we represent brands such as Hershey's, SC Johnson, and L'Oreal, to name a few. We also produce and sell Magia Blanca, the preferred consumer bleach brand in the region and Australian Milk products. We are growing in the

technology space by formalizing the informal mom-and-pop stores in the region. On the specialty finance side, we advise on and structure secured private-credit transactions for businesses throughout the region. In essence, we help businesses liberate cash by leveraging real estate assets.

Our family has always been quite entrepreneurial. In 1928, my grandfather, a poor orphan with limited formal education, founded what later became Almacenes Paiz and eventually Walmart Centroamérica. In 1974, my own father founded a small distribution company in Guatemala with several partners. We acquired their minority stakes in 2011 after having launched PDC Capital in 2009 allowing for Grupo PDC to be born with two main business units.

PDC defines its purpose as "transforming lives." Will you discuss this mission and how PDC is working to fulfill this purpose?

Our purpose of "Transforming Lives" and our values, "REIR" (a Spanish acronym which means "to smile"), were inspired by our grandfather. He taught us to persevere in the face of adversity. He also believed profoundly that you could do good business while still "doing good" for all stakeholders. We strive to be recognized for our positive and transformational impact in society. We transform lives internally by providing employees with exceptional work conditions and environments. One of our signature projects is "Achieving a Dream" whereby every month we grant a dream to one of the members of our team. The dream granted is selected by a group of peers based on the transformational potential and impact the recipient has made. The videos of the moment the wish was realized are truly inspirational. In addition, we are working on a very ambitious project to reduce poverty and assure access to housing.

We transform lives externally in each of our interactions with outside stakeholders. We try to build positive and constructive relationships that create shared value. We also devote a significant percentage of our profits to FunSEPA (Fundación Sergio Paiz Andrade). FunSEPA leverages technology to dramatically improve the quality of education on a nationwide scale throughout Guatemala.

How has PDC adapted its business to address the challenges caused by the pandemic and how proud are you to see the resilience of PDC's workforce during this challenging and uncertain time?

I could not be prouder of our team and how we have managed to navigate this unprecedented storm. Certainly, the impact from the pandemic has not been uniform across our different lines of business, but what has been consistent is our methodical and holistic response. As soon as the first cases were announced in our region, the collective anxiety was quite palpable. We announced that we would take every measure to safeguard our people. The teams implemented randomized on-site antigen and antibody testing, temperature controls and disinfection tunnels. A hotline was activated for psychological and emotional support. In addition, we took a big risk in committing that nobody would lose their job because of the pandemic and provided bonuses for our "heroes" in the highest-risk jobs.

In short, I am quite proud of the holistic program that the team developed and implemented in record time. The program allowed us to keep operating and to continue supplying our customers with critical products during the pandemic.

What are the keys to economic recovery for the countries in Latin America coming out of the pandemic?

Each country in the region has been impacted differently so it is hard to create a one-size-fits-all answer. Certainly, the speed with which the vaccine will be applied is a key variable. We need to achieve herd immunity and achieve it fast to reduce the overall social and economic impact from this disease. In the meantime, all countries should adhere to protocols such as mandatory mask use, disinfection and social distancing. These protocols seem to allow for relative openness of economies while preventing dangerous spikes in infection rates.

COMPANY BRIEF Grupo PDC (grupopdc.com) is a company with multiple businesses in seven countries in Latin America including consumer products, industrial products, financial services, retail services and hosting services. Its purpose is to transform lives internally through an excellent work environment and by providing growth opportunities to its employees. Externally, it transforms lives through its *Dejando Huella* (Leaving a Footprint) program that seeks to improve schools in the countries where it operates.

In the case of Guatemala, FUNDESA has worked in conjunction with the national and city governments to develop the “Guatemala Does Not Stop” plan. The plan identifies key initiatives to turbocharge our ability to attract foreign investment and to generate jobs. Each country in the region should perform a similar exercise to identify the concrete actions that could yield the highest impact in terms of economic recovery.

You have been a catalyst for Guatemala’s transformation. Will you highlight this effort and the initiatives that have been implemented to drive change in Guatemala?

Over the last 10 years, Guatemala has benefited from having forward-thinking donors from its private sector that committed significant resources towards the transformation effort. The homicide rate per 100,000 people has gone from 46 in 2009 to 15.4 in 2020. GDP per capita has increased from \$2,898.94 in 2010 to \$4,619.98 in 2019, a 59 percent improvement. We can point to similar progress in statistics in areas such as infant mortality, college completion and poverty, among many others. Certainly, there is much more to do, but we have to start by recognizing the degree of progress that has been achieved over a relatively short period.

The process to drive transformation is certainly not easy nor linear. It is imperative to know where you want to go and to set concrete and measurable goals to monitor the degree of progress throughout the journey. The original “Mejoremos Guate” initiative identified the key bottlenecks that were limiting our ability to generate jobs and to drive inclusive growth. We focused on driving prosperity, solidarity, security and justice, all while strengthening institutions.

Key initiatives that have been funded through FUNDESA include:

- “Scale-up Xela” to drive entrepreneurship and job creation in Quetzaltenango, which has stimulated over 30 percent growth by SMEs that participated in the program in less than a year.
- “Criminal Justice Flowchart” to identify bottlenecks and propose solutions that drive efficiencies in the criminal justice system.
- “Crime Stoppers Guatemala” to provide a safe and anonymous way for citizens to share information regarding crimes.



Salvador Paiz (left) and his brother Sergio who are CEOs of the two lines of business of PDC

- “COVID Response” which provided more than 60 percent of all PCR tests performed nationwide during the critical first four months of the pandemic.

You serve as president of the Fundación Sergio Paiz Andrade (FunSEPA), a foundation dedicated to improving the quality of education in Guatemala through technology. Will you provide an overview of FunSEPA and the impact that the foundation has made in Guatemala?

My father, Sergio Paiz Andrade, passed away in a tragic accident on a FUNDESA trip searching for ways to drive Guatemala’s inclusive development. He was convinced that education was the fundamental driver for that development. He was also quite “techy,” and firmly believed that technology is a transformational tool. FunSEPA was born in his memory and we have been leveraging technology to improve the quality of education for all Guatemalans for over 16 years. To date, more than half a million children in the country have access to technology thanks to FunSEPA’s programs. More than 27,000 computers have been delivered in 1,653 schools across the country. A classroom with technology has far more impact than we think. Not only does technology provide students with new ways of learning and doing things, but it also helps decrease student dropout rates. Additionally, by making learning a fun process, FunSEPA’s programs have helped students improve their grades in subjects such as math and language.

FunSEPA has trained one out of two teachers in Guatemala’s public education system in the use of technology as an educational tool. Through its programs, “Technology for Education” and “Na’at: Awakening of Knowledge,” FunSEPA’s trainers empower teachers and help them change the way they teach, and thus transform their students’ lives.

FunSEPA’s reach has been pivotal during the COVID-19 pandemic. Due to the pandemic, schools in Guatemala shut down in March 2020. FunSEPA was in a unique position to leverage technology to impact lives. Mid-way through the pandemic, as schools and universities remained closed, “Coursera for Guatemala” was born. Through “Coursera for Guatemala,” FunSEPA, in collaboration with Guatemala’s Ministry of Education and Coursera, provided scholarships to more than 30,000 Guatemalans who had full access to Coursera’s content, without any cost. Also, in September 2020, FunSEPA developed “S.O.S. Docente,”

a chatbot designed to give Guatemalan teachers access to a library full of rich content, from math to emotional support to long-distance teaching guides, and help them face the difficult challenges of remote learning. This year, as schools are scheduled to re-open on hybrid models, FunSEPA is working alongside Guatemala’s Ministry of Education and other important allies to help ensure Guatemalan students and teachers can have a safe return to school.

What are your priorities for Grupo PDC during this unprecedented time?

PDC’s priorities have shifted throughout the pandemic. The first priority was to take care of our people, as I explained earlier. Once we knew that our people were ok, we transitioned to focus on the business. Certain lines of business, like our student housing project, were more impacted than others but every business faced enormous uncertainty and disruption of supply lines. Taking care of our businesses also meant protecting our ability to generate cash flow by reducing any non-critical expenditures.

The pandemic has forced us to rethink everything, from how to generate additional redundancy in our supply chains to incorporating home-office days into our new “normal.” We continue to scan the horizon for opportunities arising from rapid technological changes and from new patterns in customer behavior. Despite all the changes and all the turmoil, our purpose to “Transform Lives” remains steadfast. ●