



LEAD WITH WE

EPISODE 26: SUNNY VANDERBECK

Sunny Vanderbeck:

This idea of human capital, that the individual human is fungible and disposable and I'll just get another one out of the market, never made any sense to me. I couldn't believe that the world actually worked that way and it turns out it doesn't. If your objective is to actually make something that generates extraordinary outcomes, you cannot do that without extraordinary culture.

Simon Mainwaring:

Welcome to Lead With We. I'm your host, Simon Mainwaring, founder and CEO of We First. Lead With We is the podcast where top business leaders and founders reveal how they built their companies to be high impact and high growth by putting we first. Lead With We is produced by Goal 17 Media, storytellers for the common good.

Simon Mainwaring:

Welcome to this week's episode of Lead With We, where I'm excited to talk to Sunny Vanderbeck, who is the co-founder of Satori Capital, a multi-strategy investment firm founded on the principles of conscious capitalism. Actually before founding Satori, Sunny co-founded and served as CEO of Data Return and became one of the youngest CEOs ever to lead a Nasdaq-listed company.

Simon Mainwaring:

Sunny, welcome to Lead With We.

Sunny Vanderbeck:

Thanks so much for having me.

Simon Mainwaring:

Sunny, when you launch a private equity or venture capital firm, you have a lot of choices today. You can lead into longstanding practices, or you can think about it differently. Give us a sense of why you started Satori and what is your sort of business approach in terms of longterm outcomes for all stakeholders?

Sunny Vanderbeck:

Randy, the other co-founder, and I started Satori with this crazy idea that business is more than just an ATM. That businesses, by their very existence, can create good in the world and that the path to the best returns over the long-term is actually to focus on those kinds of things. Today it's an easy conversation. If you could imagine for a minute, it's 2008 and we're in the middle of the global financial crisis. The first five years of this venture took awhile, it felt like a decade for sure, but it's important work. I think part of what we set out to do here was not just to do it for ourselves or to do it for our investors, but to carve a bit of a path for others. To be able to go out and prove with results that this approach to investing generates superior returns, not just for the financial stakeholders, but for all the stakeholders

Simon Mainwaring:

What led you to aspire towards that because you've got a history of a very successful exit over the publicly traded company. Why suddenly launch an investment firm through the lens of conscious capitalism?

Sunny Vanderbeck:

We both had this experience as CEOs, we experimented a lot. Particularly coming from technology companies, I think one of the things that they were particularly good at is this idea of experimenting. In my mid twenties I was trying to run a public company and an interesting part of the journey for me is I had the classic traditional executives that I would hire and their approach to the world was fundamentally different than mine. It was a bit of a crisis for me internally as a leader because I had hired these brilliant people and brought them on board and about half of what they had to say didn't feel right.

Sunny Vanderbeck:

I just started to experiment to see what worked and what didn't work, and as it turns out, every time I ran this experiment that said, hey, what if culture is really deeply important to results for customers? And what if getting great outcomes for customers leads to better outcomes for investors? And what if we could treat our suppliers like we treat our employees? And so on and so forth. Every time we ran these experiments we got good results, and every time we did it the traditional way we got, we were more likely to get anyway, sort of poor results. I think these lessons were kind of hard won through experimentation and I think I got lucky in this case because the things that felt right to me as a human turned out to be the things that also worked best.

Simon Mainwaring:

Those things that didn't feel right, what are those things that just kind of jarred with you and that really didn't ring true, that you felt you had to kind of move away from?

Sunny Vanderbeck:

I'll give three examples here. One is, and I give this one first because it was the last lesson for me. It was the one I was most slow to get. The idea of treating your suppliers like their partners. To be clear, it doesn't always work. You can't do that for your pencil vendor, but there are times and places where deep partnerships with suppliers matter. I had an environment where purchasing reported to the CFO and their only objective was to reduce price. Instead of the objective of, how do we create long-term value together? Another example would be around the team. I think there are lots of people still to this day in the business world that while they might mutter affirmations of culture, their actual behavior is they don't really care. This idea of human capital, that the individual human is fungible and disposable and I'll just get another one out of the market, never made any sense to me. I couldn't believe that the world actually worked that way and it turns out it doesn't. If your objective is to actually make something that generates extraordinary outcomes, you cannot do that without extraordinary culture.

Simon Mainwaring:

It's hard to argue with that approach, Sunny, and it's kind of self-evidently practical, but as you said, you had these executives that you'd hired who brought in all their skill sets and they must've resisted you in some way. How did you win them over? How did you push back? How did you take them with you?

Sunny Vanderbeck:

I think in terms of winning them over, one of the places to go there was to go back to our values. We had agreed upon stated written values and part of my experience, by the way, with the values and the intersection between values and culture, until those are a part of a performance review, they're not very real. You have to actually bring them alive and not just in a positive way. Sometimes it's a negative way and so imagine if you will, this really happened by the way, our most economically successful salesperson was asked to find a company where they were a better fit because they weren't a fit for our values. They were willing to do anything and run over anyone internally to get something closed. Our view was like, that's actually not okay. Values is an important touch point for remembering what you said was important and going back to that. Sometimes I just had the trust me call. A bit of cajoling, a bit of, hey, trust me, and a lot of experimentation.

Simon Mainwaring:

That's both aspirational, but increasingly relevant and critical to the future of humanity, the future of our planet, and it unlocks a lot of the business drivers today that we see. When you launched it at the time, what did your peers say? What a competitors say? Did they think, wow, that is just so gloriously naive Sunny, good luck with that? What was the response?

Sunny Vanderbeck:

I think your word choice of naive is probably the closest I could find. We've got a lot of kind pats on our head and look, the toughest moment was this. It was tough to raise capital in the early days and part of our strategy is to have longer term capital. We think that short-term horizons are actually at the root of many of the issues we face and if you can sufficiently extend your time horizon, then the decision making that gives rise to the problems often disappears. Again, we go back to sort of 2008 to 2010, lots of people weren't thinking very long-term in those days and we had a funds placement agent, somebody who raises capital for funds, tell us, wow, we love your background. We love your story, we love everything about what you're trying to do and we can raise all the money you need to do what you're trying to do, but you just got to do one thing.

Simon Mainwaring:

What's that?

Sunny Vanderbeck:

You've got to stop talking about this conscious capitalism thing. You're freaking everybody out.

Simon Mainwaring:

What did you do?

Sunny Vanderbeck:

We said no. This is one of those wonderful moments when you know you have an extraordinary partner. Randy and I needed no time to deliberate. No sidebar. No, we'll get back to you. We looked at each other, we looked at them and we said, no thank you, and we kept on with the grind, which was obviously the right choice. Our priority here is very much a 30, 40, 50 year horizon. What we're doing didn't matter in the short-term and mattered a lot in the long-term. I think we made the right choice, but it was the hard choice.

Simon Mainwaring:

Looking towards today now, increasingly you're hearing thought leaders, academics, business leaders, talking about the need for taking a long-term horizon, a long-term perspective. Give us a sense, in terms of your perspective, on the timeline of investors themselves. Are you still at a point where you have to kind of lead them to the water and explain what this concept is all about? Or are they actively seeking out opportunities and who's the best partner, the best investment opportunity in this space? Or are they running towards it? Especially younger demographics. What do you experience on the investor side?

Sunny Vanderbeck:

The institutional investing community has not yet come around to the time horizon thing. It's still very, very difficult for them to make a commitment to funds that have a longer than a typical sort of five-year holding period. It's just a tough spot. It's where they are, and my hope is that little by little, and we're seeing again, little by little, we're seeing changes. That's a change that needs to go faster.

Simon Mainwaring:

What's the solution there, do you think? Is it Paul Polman of Unilever suspended quarterly reporting? What is the tactical actions you take that can kind of institutionalize these longer term horizons in a way that will actually counter-intuitively drive company growth, but also allow you to have the impact work get done that you need?

Sunny Vanderbeck:

It very much needs to be a mandate from, I'll call them the holders of the capital...

Simon Mainwaring:

Right.

Sunny Vanderbeck:

...to say this is important to us and I know it will be uncomfortable because all of our institutional processes are built around this classic five years to deploy the capital five years to harvest it. Until we see that happen, I think the longer term time horizon funds are going to be deprioritized because they're different and you're asking someone inside a large institution to take personal risk. It's got to come from the top, but this sort of long-term push that's happened over the last decade or so, where many, if not most of us are becoming uncomfortable with the sort of reality we find ourselves in.

Sunny Vanderbeck:

As a reminder, that's the entrepreneurial spirit. What we see around us is little by little more and more companies are saying, and investors are saying, okay, enough. We've got to find a better way. I think all of us will have our own path. I'm really excited by seeing all of these people find their own way in saying, hey, business can be a force for good in the world and whatever part of the world it is that I want to see better, business is actually a great way to do that.

Simon Mainwaring:

How do you calibrate or rationalize the integrity of your model and your long-term perspective with all the necessary due diligence that you've got to bring to any investment? How do you blend that sort of humanity and the rigor from an investment point of view?

Sunny Vanderbeck:

I think that the very first thing you have to conclude, at least as we look at it, and a brief sidebar, look, there are some investors who are willing to accept a lower return to get non-financial outcomes. That's totally cool, back to the point about there's a million ways to get there. That's not for us. Our approach is that we should be able to deliver better financial outcomes. The first thing in our approach, you have to disavow yourself of the notion that these things are in conflict.

Sunny Vanderbeck:

Here's an easy example. I'll touch back on a comment I made earlier, developing leaders is expensive and it takes awhile. Is that an expense or is it an investment? If you view it as an expense, then it's in conflict with profit. If you view it as an investment, not only is it not in conflict with profit, it's actually supportive of profit. You can run that same question set across many of the decisions you make and so if you can make decisions with that longer term lens, then it should be a focus. Let me give you one more example. It's another easy, bright line, but in the negative.

Simon Mainwaring:

Sure.

Sunny Vanderbeck:

A professional services company, one where people can work from home, work from the office, but largely it's desks and chairs and computers. Could be a marketing firm, could be a consulting firm, what have you. Where does climate change, carbon footprint, all of those things fit in the priority in the boardroom and the leadership team meeting for a company that does that. My answer is, it actually kind of doesn't because the footprint of that business isn't that relevant in the scheme of things but for one exception. If your employee base cares about that issue, then maybe you should pay more attention to it. In terms of core strategy for the business, community engagement may matter a lot. Culture's definitely going to matter a lot. The way you interface with your customers is going to matter a lot. Each of these different dimensions of conscious capitalism and each of these different stakeholders for each business, may matter a lot or not at all. It's to the leaders and the owners to determine where that fits.

Simon Mainwaring:

I really take that point well, which is that it's a case by case basis as to how you apply purpose and conscious capitalism to your unique situation, but I want to put my cynics hat on for a second. We hear Larry Fink, the CEO of the largest hedge fund in the world, BlackRock talking about a fundamental restructuring of the capital markets in his third annual letter due to the climate crisis. We see the CEOs of the Business Roundtable being held accountable by the CEOs of B Corps because of the recent true value report, which talks about they're not really walking their talk quickly or effectively enough. I want to ask you, are you seeing a legitimate, authentic defensible movement within the investment world, the financial services, in this direction? Or is it just a few exceptions out there that are getting a lot of sort of outside media exposure and nothing's really changing?

Sunny Vanderbeck:

I think that's an important question and it leads me to the question, the unanswerable question, of if you do the right thing for the wrong reason, is that good or bad?

Simon Mainwaring:

Oh, I'm sure there's a lot of circumstances in my life where I'd love that rationale. I want to go back and apologize to people and use that.

Sunny Vanderbeck:

Indeed. Back to the point, we are all headed here for different reasons and different approaches in our journey and I think historically there's been some reasonable indictments around things. There's a term called greenwashing, whole lot of PR, not a lot of activity, those kinds of things. I have a good bit of empathy for public company CEOs, having been one, where even if you desire to take a longer term approach to things, it's extraordinarily difficult when somebody is going to get on the box from a quarterly report and say, oh, they're doing XYZ, bad thing. That pulls your attention in your timeframe into simply the here and now. It makes it very difficult to have a longer term beyond that.

Sunny Vanderbeck:

I'm appreciative of seeing some of these larger scale public markets investors saying, in some cases, hey, we're supportive of taking a longer view and occasionally some CEOs that have the mandate. They own enough of the company, or have enough built up trust over time with the ownership base to say, hey, this is just how it's going to be. As an example, I think Apple's has done that over the past few years. Some investor was giving them a hard time, I think, about their desire to move to all renewables and the economic cost of it and so forth and the CEO effectively said, hey look, we're going to do it and if you don't like it, that's okay. Buy somebody else's shares.

Simon Mainwaring:

I think that's a really good point. Give us your experience. Whether you're talking to your peers, your colleagues out there who have a very traditional mindset, or whether you're talking to potential investors, what do you say to them to get them on board when they're much more inclined to just say, hey, show me the greatest amount of money I can make in the shortest period of time, or I'm not interested?

Sunny Vanderbeck:

I think a couple of things. In the early days, we couldn't talk about track record and I have to be mindful about how I speak about it publicly, but the moment, we've got a decent platform to stand on our track record. To say, hey, this is working out for us, but I don't believe I'm going to be able to change anybody's mind in a conversation. People change their mind at their own pace. I have not been successful at just showing people data and having them go, wow okay, well, I'm going to completely change my mind. That's just not been my experience of the sort of human condition.

Simon Mainwaring:

The problem that I find though, is that we're running out of time. I mean, I think for a long time, this luxury we had, that we could choose how fast we change and how much we change. I feel like that's going to be ripped out of our hands very soon because the issues we're solving for like climate and more, are so drastic and their impact will be so acute on our daily lives, that there's going to be this huge expectation thrust on business to show up differently. You made the point that people get there in their own way at their own time, but in a sense, climate doesn't care, the planet doesn't care. We're working against timelines now that are shrinking, whether it's seven years, 10 years, 15 years, depending on what data and research you read. How do we resolve that tension between allowing people to take their

own time, yet we've got to solve for these things within a window of time before sort of that irreversible knock on effect will really compromise everyone's life.

Sunny Vanderbeck:

It's an important question because ultimately we can't mandate belief, that doesn't work. History tells us that doesn't work. What it also tells us is that industry's up end all the time. One of the things that we set out to do in this business was the belief that if I can have one company in an industry or a geography, get a different result in the market and outgrow their competitors, the competitors have to pay attention. We saw this in one of our portfolio companies. In an industry that grew six percent a year, they quadrupled revenue in four years, organically.

Simon Mainwaring:

Right.

Sunny Vanderbeck:

Complete crazy talk. This was the industrial business, but we started working on stakeholders and we started working on conscious capitalism and some things happen in the industry that let us basically come from behind and take the majority of the growth out of the industry from a four year period. Whether you get to this conclusion of, I have to do this stuff because I can see longer, or because I think it's the right thing to do, or because I'm terrified because this competitor just came from behind. I'm okay with however they get to it.

Simon Mainwaring:

Help us understand the vision you're laying out for us, paint a picture for us, because we hear so many terms today. We hear conscious capitalism, accountable capitalism, inclusive capitalism. Paint a picture for us of what it can look like across the investment community, and then companies of different sizes, and then consumers or customers and what do we need to fix to really offer a viable alternative for how we practice capitalism? Rather than just doing some nice optics around the way it's always been done.

Sunny Vanderbeck:

The first is this belief that the owners always win. Which means if you have conflict between the owners of a company and the leaders of a company, if they're separate people, over time the owners always win. This is part of why we started Satori. We realized that you can have the most conscious leadership on the planet, and if your shareholders don't care and don't want that, then who's going to win? The owners are going to win. That's one place where you start to shift the system. Then I think that the next piece is at the leadership level. I want everybody listening to think about the worst job they've ever had.

Simon Mainwaring:

All right. I got that instantly.

Sunny Vanderbeck:

Think about the best job with the best leader you ever had.

Simon Mainwaring:

Yeah.

Sunny Vanderbeck:

What if the entire sort of system of capitalism made more companies like the latter? Made more companies like the best job you've ever had? What if most people derive satisfaction from their work beyond the paycheck? If we can just make more of the places that people go to work, extraordinary places, that in and of itself starts to change everything because it changes the individual experience for every one of us. By the way, those companies that are doing those things on the employee side are also more likely to do them on all of the other dimensions. Once you're a best place to work or you're on the journey for that, now you've started to break down this equation of if I invest in a stakeholder, that investment will pay dividends over time.

Simon Mainwaring:

You've talked about so many different behavior shifts there, which are so critical, but they're also preceded by a necessary mindset shift. One of those shifts I feel is important is that we've got to realize that we're all on the hook. We've all got to play a role here, as a consumer in terms of what we buy, as an employee in terms of how we show up, as an entrepreneur in terms of the type of company we start. How do we get more people to embrace the shift in mindset that can drive behaviors, whatever your stakeholder role is?

Sunny Vanderbeck:

Yeah. I think the question is an important one. I remember six or eight years ago, talking to a CEO who built houses and I was pushing on him about, hey, there's this lead thing and low VOC paint and the sort of building industry and all this stuff, what are you doing? This is coming, what are you doing? The answer he had back from me was really disappointing. He's like, I think that stuff's important too, so we built a bunch of those houses and at the time they were more expensive. One of the cool things about capitalism is capitalism will take costs out of nearly every system if given enough time, but at the time it was about 10% more expensive to have a low footprint house. What he said was disappointing, he said they wouldn't buy it.

Simon Mainwaring:

Right.

Sunny Vanderbeck:

To your point, there is an individual responsibility. What are you doing in your personal life to move this forward? Are you preferencing products that are more consistent with your values? Are you preferencing a workplace that's consistent with your values? Those kinds of things.

Simon Mainwaring:

What's going to drive that? Do you think the acute experience of the climate crisis, whether it's hurricanes, tornadoes, bush fires, will that motivate people? Will it be the incredible impact of COVID and potentially other pandemics as a function of how we treat the environment? Will that trigger new thinking and behavior? Sometimes it's easy to get disheartened because you think, geez, what is it going to take for humanity as a species and all of us as individuals to show up in a different way for the sake of our own survival? What do you think it's going to take?

Sunny Vanderbeck:

Generally crisis tends to pull horizon in, rather than push it out, unfortunately, but to the earlier conversation, we're all going to find our own way here. The first part is just knowing

that there's an option. Some of this goes back to the companies making these products available and finding consumers more and more willing to care. I think, and this one's a bit longer scale, I do think there's some incentive opportunity for good behavior around the tax code. Right now in the US, from a tax code perspective, 366 days and 3,600 days and 36,000 days are all treated the same. That's all long-term capital gains. What if we had a tax system that didn't have a cliff that said the longer you own it, the less tax you pay?

Simon Mainwaring:

And incentive.

Sunny Vanderbeck:

Yeah. Just put an incentive there to say, if I'm willing to be longer term minded, then we will reward that in the tax code. This one's hard and I'm going to leave one other thing. Each of us interacts with a lot of people around us and a lot of this I think is we can influence people that are friends and family and show a different option to them.

Simon Mainwaring:

There's so many good points there from just awareness, to opportunity, to incentives, to really advocating for this change on a very, very personal level. We've talked a lot about the cost benefit analysis of embracing things like conscious capitalism and being stewards of our future. Maybe, as we wrap up, I want to ask you about a cautionary tale. What is the cost benefit analysis if we don't do this? Not only in terms of climate and biodiversity and these larger challenges, but as a business owner, as an entrepreneur. What are the risks we take if we don't go this way?

Sunny Vanderbeck:

As an entrepreneur, I try to manage around the risks as much as possible. Take calculated ones and mostly think about opportunity, but as an investor risk is on my mind every day, day in and day out. These risks show up everywhere, right? You've got the local risk, everything from consumer backlash to community backlash, those kinds of things. We've seen, certainly, examples of that along the way, to the big risks of the things that are viable now are no longer viable, economically, politically, socially, et cetera. I think part of this is our fundamental assumption that if your approach to any of this is, I'm just going to meet the minimum standard, you've got more risks coming your way than you might think. I do think we're seeing a growing awareness in leaders and owners that volatility and uncertainty is a very real thing.

Simon Mainwaring:

Sunny, I can't thank you enough for the insights and also for showing us that responsible long-term investments are not only possible, but they're also profitable. I really appreciate your time today.

Sunny Vanderbeck:

Thanks so much for having me.

Simon Mainwaring:

Thanks for joining us on this week's episode of Lead With We, where I spoke with Sunny Vanderbeck, the co-founder and managing partner of Satori Capital, who shared with us how purpose and profit work together to drive investment returns and why companies need to

embrace a more conscious, responsible and regenerative practice of capitalism to drive relevance, growth and impact in the future. Make sure you subscribe to Lead With We on Apple, Google or Spotify, and please do recommend it to your friends and colleagues so they too can build a purposeful and profitable business. If you'd like to learn more about how you can build a purposeful brand, check out, wefirstbranding.com, where we have lots of free resources and case studies. See you on the next episode of Lead With We.

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