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Baird chairman Paul Purcell: 'You behave differently when it's your capital and your name'

Paul Purcell, chairman of Robert W Baird, discusses the US investment bank's plans in London and why nepotism keeps it responsible

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INTERVIEW



Plenty of businesses in the City are still trying to work out what their purpose is, almost eight years to the day since the collapse of Lehman Brothers served as the nadir of the sub-prime debt crisis. As firms pick up the pieces from fines and bad loans and fired executives, they vow to avoid the sort of spectacular mistakes that paved the way for a global recession.

The crisis of conscience came earlier for Paul Purcell, in 1994, but the trigger will have a familiar ring to finance professionals wrestling with their purpose today. His Wall Street employer at the time, Kidder Peabody, was going through a protracted takeover by General Electric, where jobs were being slashed, workers were stretched and other priorities overtook the customer. He describes it as "cultural bankruptcy".

"We watched as this very old, wonderful firm that was unbelievably talented, very collegial, employee owned, literally got destroyed before my eyes," he recalls.

Purcell wrenched himself away from his workplace of two decades, shortly before it failed under the cloud of a bond-trading scandal. He joined Robert W Baird, which was at the time a fairly sleepy brokerage based in Milwaukee, Wisconsin. He and about 20 colleagues set about recreating the culture of Kidder – a job that continues with 69-year-old Purcell this year stepping into the chairman's role and Kidder alumnus Steve Booth taking over as chief executive.

Two-thirds of staff are shareholders, after a deal with former parent Northwestern Mutual to buy back all but 6pc of its stake which even saw the firm persuaded to provide a multi-million dollar loan to help them do it.

"They made 10, 12 times their money over 22 years. So they've done really well," says Purcell. "If you're not here producing every day, you can't be a shareholder – if you retire, you have to sell your stock."

The team has taken Baird from a turnover of \$180m (£135m) in 1994 to about \$1.4bn last year, with a worldwide team of some 3,300 staff, including 80 in London, who manage more than \$150bn.

The average Baird employee has been with the firm for 17 years, Purcell says. He refers to the staff as a family – quite literally in the case of one of his sons, who works in the private wealth business. "The rest of my kids said,



Since joining Baird in 1994, Paul Purcell has created an inclusive, family atmosphere. The average employee has been at the firm for 17 years, while two-thirds are shareholders

"Dad, I don't want to work that hard!" he jokes.

It's not a strategy likely to find its way into Theresa May's new policies on corporate responsibility, but it seems to have worked for Baird.

"We had an anti-nepotism rule when I came, and I thought that was one of the dumbest rules I'd ever seen. You know the people, right? So we have quite a bit of nepotism – but they've got to be good."

Finance is the family trade, with his

older brother, Philip, also moving from their childhood home in Salt Lake City to Wall Street, eventually running Morgan Stanley from 1997 until 2005. This does not mean Purcell shies away from calling out what he sees as poor practices in the industry.

"When I joined the firm everyone, including Goldman Sachs, was a private partnership. You behave differently when you're private, when it's your capital and it's your name. You don't do 30 to 50 times leverage,

you just don't," he says. "The universal model, I never really bought into it, and it was based on leverage." Purcell stood up at an industry conference in 2013, where the audience included bank bosses and the top US financial regulator, and warned them that "we really need to behave better".

"The industry had its Sodom and Gomorrah in 2008 and 2009 and it is not learning the lessons. These really big firms, you cannot manage," he says now. "When Jamie Dimon loses \$6bn

in London, you're telling me that the industry is managing its risk well? I don't believe it. The market doesn't believe it. This is why you've only got a couple of firms trading above book value in the world.

"Until they clean up and start behaving well and get away from short-term greed, what do you think is going to happen? You're either going to get broken up or turned into utilities, so you'd better wake up."

He contrasts this grim portrayal of

the banking world with "what some people view as stodgy or conservative or Midwestern" culture at Baird. "We never have a conversation that says, 'We need to teach ethics'. You either have it or you don't. You're either honest or you're not. Starts from the top in every organisation, it sets the tone." Purcell says he reads the management tome *Good to Great* by Jim Collins once a year, to remind him how a company should be run.

Baird's client list already ranges from Midwestern metals firms that signed up in the 19th century, to the private equity giants 3i and Carlyle.

The group's London office on Finsbury Circus makes about \$100m a year in business, and will drive expansion plans across mid-market private equity, trading and investment banking, according to Purcell.

"One thing we'd like to do is build out a bigger equity sales and trading platform here, and we continue to look at the fixed income. And from time-to-time we've looked at the wealth

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management side."

Baird picks its acquisitions carefully, making two in the US in the past two years but keeping quiet in Britain since buying Granville in 1999. Purcell says Brexit has caused some concerns in the business – not least for the two-dozen nationalities working in the London office – but adds that "in every bit of chaos, that creates opportunities. Both in Europe and here".

For the firm's deal-hungry clients, the ructions of the EU referendum have barely registered.

"What we've found is that business is very, very active at all levels, because you don't have enough growth. And you've got the lowest cost of capital that I've seen in my 45 years in the business. So you've got this very vibrant environment," he says.

After more than two decades of building Baird, Purcell claims to have no pangs after handing over the reins this year. He sits on the boards of 10 charitable organisations and is enjoying more time with his family, but is far too busy to retire.

"I'm an outside person, I'm a client person, I like to recruit," he says. "I did all this inside stuff, cost control meetings – I've a very low tolerance for ambiguity and they don't want me in those meetings any more."

"We're looking at a lot of big investments, acquisitions, that's what I really like to do. People like me don't go quietly, they don't retire. They reallocate their time."