



Paul Barry-Walsh

Interviewed by

Jonathan Sinfield

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Welcome to the Archives of Information Technology. It's Wednesday 2nd of May 2018, and we're in the Worshipful Company of Information Technologists Hall in London. I am Jonathan Sinfield, an interviewer for Archives of IT, and today I'll be talking to serial entrepreneur and philanthropist Paul Barry-Walsh.

After leaving IBM in 1986 Paul founded Safetynet; then in 1996 Netstore; and in 2001 he founded the Fredericks Foundation, which has become one of the UK's leading micro finance organisations. In 2005, alongside Paul and Peter Sedgwick, he founded Frank Investments. This business was established to provide long-term investment management services to a partnership of investors. In 2008 Paul was granted the Queen's Award for Enterprise Promotion. He is a past recipient of the Beacon Award for Creative Giving, and in 2009 received the CNBC/FT European Philanthropist of the Year Award. In 2016 Paul won the UCL Entrepreneurial Inaugural Award. Good afternoon Paul.

Hi.

Paul, I'd like to take you back, and perhaps you could tell our listeners when you were born and where you were born.

I was born in London, in a military hospital, Woolwich Military Hospital, so East London. My father was a doctor in the Army, and, rather unlike my brother who was born in Jamaica, or sister who was born in Dublin, he was in the UK for a short period, and that's where I was delivered.

Oh right. And, your early years, was that based in London?

Just outside Fleet for the first three years, and then moved to Germany for six years. So that was, my early years was in West Germany, near Münster, and then three years, three more years, we were moved to, moved to Cyprus, which I have to say was like heaven for a young boy of, eight till eleven.

[02:23]

Right. So you mentioned your, your father was a doctor.

Mhm.

With the military. And your mum, was she in the medical professional?

She wasn't. She, her first husband had been killed in the Second World War, and she married my father, and, I think she was keen to get him in the Army because she felt he wasn't terribly commercial. So, he was drummed into the Army, and, I think, within six months they found themselves in Jamaica, in 1947. So, that was, that's where they kicked off their married life.

Mhm. And did your mother work?

No, she didn't. She, after the war she went to Trinity and did a sociology degree, and that's where she met my father.

Ah, right, yes, that's Trinity College, Dublin.

Dublin, yah.

[03:13]

And, your grandparents, were they professional people?

So, all Irish. I've just applied for my Irish passport actually [laughs], with Brexit. So, on my mother's side, quite difficult, because my father was from a strongly Fenian background. In fact, my, my grandfather actually fought the British in the Boer War, in his gap year. [laughs]

Oh right.

Went down and was a, was a young medical assistant there. He had to go down through, I've got his letters, going through Lourenço Marques and through the Suez Canal. Fortunately he spoke French fluently, something I've not managed to do myself. And, so he was really quite anti-British. My grandfather on the other side

was a strong Protestant, and worked in the British administration in Dublin, and then of course with partition went up to Belfast and he worked in Stormont as Chief Accountant.

Oh right. OK. Interesting background.

So that, yeah, that...

Both sides of the divide in...

So, in fact my parents couldn't married in Ireland. They flew over to, to England and got married there.

Right.

So, you know, it... Yes, it was, it was quite challenging. There was a little bit of friction between the two families, but that's, I think that's gone over the passage of time.

[04:38]

Good, good. You've mentioned London, and then you mentioned, I guess primarily, in Cyprus.

Mhm.

And then, your secondary schooling, was that in the UK?

It was. I was dispatched from my little haven in Famagusta in Cyprus to a cold and windy Lancashire coast, to a school called Rossall, which was picked I think only because it happened to be close to Ireland, and, I could get across to Dublin with some ease on a Liverpool ferry. So, there wasn't a very rigorous search for a school.

[laughs] So that, that's how I ended up to be there.

[05:21]

Right. So, Rossall School, I mean that's, that's in Fleetwood, yes?

That's in Fleetwood, yes.

Fleetwood. And, I have to say, if any of our listeners want to take a look at the school, they've got a fantastic website with a, looks as though they've been experimenting with drones over the Irish Sea as it were.

[laughs] Yes.

But, I hear you... So your parents selected Rossall School for you.

Yup.

But you were fortunate enough to get a scholarship?

Well I think, that was because I thought I wasn't going to pass my Common Entrance [laughs], and overreacted somewhat. On foreign schools, the curriculum is geared through prep schools. I wasn't at a prep school, I was at a British forces standard school. And, there was some concern that I wouldn't know the answers to, you know, what were the counties of England. And of course didn't know any counties in England. So, I remember I had to learn those all off my heart. Fortunately that, I remember that particular question came up. [laughs] So, they were quite concerned. So my mother tutored me hard to, to pass the exam, and, fortunately was successful, and fortunately I got a scholarship. But when I got there I realised that, I wasn't really scholarship material. [laughs]

[06:40]

And, at Rossall you, you studied, and you got nine O Levels I believe and four A Levels. So what were your favourite subjects, and what subjects did you study at A Level?

So, my favourite was, absolutely geography, we had a great geography teacher and I got, ended up getting the highest A Level in that, and that's just a classic of getting on well with a master.

Mhm.

And I liked history and did pretty well in history A Level as well. I wanted to do economics, because I thought that would help me in my business career, and I always had clearly in my mind that I was going to go into business. And, and I was very clear that I wanted to be rich. [laughs]

Right.

Rather an avaricious little toad I was at the time. So, that was what drove me to do economics. So it was probably my, in fact it was weakest subject in A Level, and, I soon realised that it's, at university level it's really maths, and I, I really struggled. I hadn't done calculus. Most people had done A Level maths who did economics. And had I not been going out with a girl who was a mathematician, I suspect I would have been ejected promptly after my first year [laughs], which would have been...

Well perhaps we should come back to that. But your A Level subjects then, you studied geography, history, economics and...

And the General Paper.

And the General Paper, yup, OK.

Yeah, which was, those who could possibly do Oxbridge did. So... But there was no possibility of me staying behind an extra term. I just wanted to be out, and I didn't think I was Oxbridge material.

[08:17]

Oh right. You mentioned... If you think about influences during schooling. You mentioned the geography master.

Yup.

How would you say that, how did he influence you, or indeed anyone else during that period of time?

[pause] He treated us like adults, and he was a young man who, he basically gave us his university notes, which meant we were doing much more advanced geography I suspect than, than, than many. And I really enjoyed it. I, I came across some geography students, and I thought, I recognise this [laughs], because we did a lot of, a lot of this when I did A Level. I think he was challenging, he was, he was enthusiastic and interesting. And, you know, when you have a good teacher, I thrived, I really, really enjoyed it.

[09:12]

Mhm. And you've already said, it would appear, well, you've said, at a very early age you decided you wanted to go into business. A business on your own account, or...?

[hesitates] Yes. I had an uncle, my mother's brother, always had very smart cars, which impressed me enormously, and, seemed to be rather more wealthy than, than us. And, that's something that seemed to appeal to me. [laughs]

Mhm.

And, he ran his own business, and I thought, well that's clearly, if you're going into business, is the way in which you get things you want. So, it was as simple as that. That was what I wanted to do. There was one other thing at the back of my mind. My father came from quite a privileged family. I remember... But he didn't seem very rich, even though he was the oldest of five. We were driving around this huge estate in Ireland, going past that wall, I said, 'Gosh, look in there.' My father said, 'Ah yes, that's,' Uncle what's it. I said, 'Well why, why didn't we get this?' [laughs] And he said, 'Well that's just the way it goes Paul, that's, you know.' And I said, 'I'd like to be rich.' And my mother said to me, 'Well if you want to be rich, Pauly, you'll

just have to do it yourself.’ And, that sort of went deep into my psyche, I said, OK, right. So, both of those quite clearly, I, I clearly remember from being six or seven.

[10:34]

And you’ve clearly identified at an early stage, and then with your university choices, studying economics might be useful for...

I thought... I, I thought that would be, I thought that would be useful. And in my degree I specialised in history of computing, which is far too broad, but it did teach me an awful lot, and it did get me a job at IBM, and I think I was one of the youngest recruited to that position. Which... So it did help me in the long term.

[11:03]

Mhm. So, you were at Liverpool University, 1973 to ’76.

Yup.

You’ve already mentioned that, you had first-hand help on the mathematics side.

Yeah.

What’s your lasting memories of Liverpool University?

I loved it. Absolutely loved it. And I’ve been working with the university and supporting it and been on some of their committees. First of all, girls were there, which clearly weren’t at school when, in my years. You had a, I had a sense of freedom, and, I was truly independent. And it was, it was great. I made friends for life, two very close friends. One has gone on to run worldwide operations for Air Canada, after British Airways, and another was heavily involved in the development of the DOS operating system, worked, was employee number 34 in Microsoft. And, that had a beneficial effect for me, because I put my last £2,000 into Microsoft, a company nobody had heard of before flotation, and, that £2,000 turned into a million pounds 25 years later, which paid for a house in Spain, which was very nice. So,

friends can be, not just great fun to be with, [laughs] but also quite lucrative as it turns out.

[12:43]

Yes. And, so investing there. So, when you say you invested £2,000 in Microsoft, just putting some timeframe on that, was that...

I know exactly when it was.

Oh right.

It was exactly the same time as we started Safetynet. So I actually didn't have a salary.

Oh right, OK.

So, [laughs] so that's why... So I invested money I didn't really have. And, I sold... The old thing is, you know, once it's doubled you should sell half. Unfortunately I did do that. And, and that actually was a massive mistake, because it would have been another, another million would have been coming my way. But, you know, hey, I...

Yes. Hindsight's a great thing.

Hindsight's a great thing, yes. [laughs]

[13:25]

Yes. Were there any particular events that you would say shaped you during your education?

[pause] Yes, there were. There was one in particular. On graduation day. There was one girl on my course, who I was very friendly with, and, I met her father on graduation day. And he said something which made an impression. He was a wealthy businessman, he worked in St Helens, and he made glass, glass for

sunglasses, glass, all kinds of different glasses. I can remember the name of the company, it was called Spectrum 67. Because that was the year he started it up. And he said, 'You know what, I started this business too late. I was responsible for ICI opening up Eastern Europe, I worked really hard, and I didn't start this business till my mid-forties, which was too late.' He said, 'I don't have the energy level.' He said, 'I have a very comfortable life, but, I don't have the energy level that I had in perhaps the previous decade.' So I thought, mm. So I sort of made a note to self, must start a business earlier rather than later.

[14:37]

Mhm. And how important would you say your educational achievements were to your career?

Honestly? I don't think they made a whole bunch of difference. [laughs]

Oh right.

I... In terms of... I've been on a number of courses since, and I have to say that many of them have been as effective as, as the degree. I'm... I, I thoroughly enjoyed university. I don't think it told me a great deal. It just was between working and school. And I consequently don't think university is right for everyone. I don't... I, I think, it's a very expensive way of, of getting a small level of knowledge, if I'm honest.

[15:25]

Yes? And, how closely would you say your studies were to what you, you did career-wise? You've already said you were studying history of computers.

Yah. Not, not terribly relevant, I don't think. As I say, my best buddy, he studied biochemistry and ended up working in operations for British Airways and then Air Canada.

Mhm.

So, my other close friend, Adrian, did study computer studies, did get the highest degree in Liverpool, and did end up, perhaps changing the world. He was leading the team on the development of Microsoft's operating system.

Mhm.

And Bill Gates asked him to write a book, which he did, on Windows, in fact he wrote two books on Windows for Bill. So, clearly, his was highly relevant. But I think that's quite rare at universities.

[16:23]

Right. So you graduated in 1976.

Yup.

And then you joined Metal Box in Reading.

That's right.

I suppose again for our, for our listeners, I mean, Metal Box, a household name at that stage.

They were, yes. I went through the graduate training scheme and I had a couple of job offers. I joined Metal Box, who was closet to a very attractive girl, who I didn't end up going out with, so, it wasn't the most professional way of evaluating, and perhaps a small lapse in, my, [laughs] my drive. Anyway, it was a very smart headquarters, and, after doing a couple of months of training, going around the country on expenses, I found myself working in a very grimy print factory in Southwark. And, I got very depressed, the only time in my life, and I thought, Christ, is this it? So, within three months of landing there I was looking for a new job. And, amazingly, I saw something, I could triple my base salary from £2,700 up to six and a half, and that was with IBM. So I applied, very quickly, and, and was fortunate enough to be accepted.

[17:41]

So, again, with IBM, were you on a, on a graduate scheme there, or you just joined them generally as a...?

No, they didn't... It wasn't a graduate scheme actually. They took people from industry, from, there were others. And, that was the toughest academic time I have had, because at the end of every week we were tested on what we had learnt. And it was very practical stuff. We had to learn a product, we learnt sales techniques, we learnt how to win long-term rather than short-term. It was the best education I, I had, I think. A lot of people, a lot of my peers would say exactly the same I think. Another buddy of mine, who ended up becoming a director in IBM and then BT, said that two months of intensive work was the hardest he had done, and, and frankly the most relevant. So, we started off with 28 of us, and I think about fifteen of us graduated. So every week we got willowed off, and, it was, it was, it was pretty gruelling.

So this was an induction course if you like.

It was... No, it was training.

Oh training.

It was a training. We were trained to be salesmen, to sell a range of technology products. And, and at the end of each week when there was a subject, either a product or, or some academic subject they were concentrating on, if you hadn't picked it up sufficiently, you were out.

Right, OK. Now, obviously, the training paid off, as far as IBM and, and yourself were concerned.

Yes, it did, it was, it was, I thought it was, well we all thought it was extremely good training. And, it taught us about the academic approach to, to selling. And, everything from the psychology of selling through to the alternative close, the... It just gave us a full, full foundation in how to, how to tackle a job in a professional

manner. Whereas, I was ostensibly a salesman in a British company; I don't think I had one day's training in selling.

Right.

I didn't. In fact I didn't. So that was a medium British company, compared to IBM which became the biggest company in the world, or second biggest company in the world, or second most profitable company in the world. They did it, they really rated sales. And that was another lesson I, I came across, how in Britain sales is always slightly dirty, and I got enormous respect for sales and salesmen, and good salesmen.

[20:25]

Right, OK. At that stage, would you say you had consciously decided to go into a career of information technology?

Yup. I had.

Yup.

I had. Why? One, it was exciting and interesting; two, they paid a lot more than other people. What I realise now is that, we worked quite hard, I, I think, as hard as other area are compared. Now, except for perhaps the, the chaps who are doing the programming, I would say it's [laughs] one of the cushier numbers for, for most of the people in the company. So, if you are a young graduate and you want to go into the accounting firms or the legal firms or the, the, the professions, you can be working 100, 120 hours a week. And obviously in investment banking firms.

Yup.

It wasn't like that. We were being very well remunerated. So, we were lucky.

[21:26]

And I'm sure, people will be interested in what exactly you were selling at this juncture in time.

So, I started off selling golf ball typewriters, photocopiers, audio machines, all at prices which seem extraordinary now. So, a golf ball typewriter was about, just under £1,000, £700. So they were, they were pretty expensive. A word processor with an 8K memory would cost, between £4,000 and £6,000. So, enormously expensive pieces of equipment. They were productivity aids for secretaries. Huge, hugely expensive.

Mm. And, and I understand, you were selling also the word processing system from IBM.

Yah, that, that was what I ended up specialising in for a couple of years. They introduced things called the inkjet printer, which could go at 92 characters a second, and could do envelopes and, and letterhead. So, that was a £20,000 piece of kit. [laughs] So, pretty expensive considering nowadays we get that on our desktop for a few hundred pounds.

You do. Was that what IBM referred to at the time as the display writer system, or is that...?

So the display writer came along just after that. And, actually, I only sold that for a year before moving on to the minicomputers.

Right, OK. And so, in terms of minicomputers, so that's, I suppose, I mean the term, it's really a computer, would be, in between the mainframes and what we now consider a PC I would...

Yes. You wouldn't consider it very mini. For instance [laughs], the System/38 and System/34, they often needed cranes to get them into buildings. I remember having to close down Oxford Street to put in a System/38. So, I can't remember how, how much they weighed, but, certainly something like, half a ton would be, would be fairly typical [laughs], for, for... There was nothing very mini about them, and they, they'd only have up to 64 terminals. So they were quite, they were quite, quite small in today's terms.

And, going back to your initial courses. My understanding is, you were, I think, top performer sales-wise every year.

I was, I was fortunate, yes. I, I took to it like a duck to water, and, by working moderately hard, you got exceptional returns in IBM. I remember one year getting... My father, who I mentioned was a doctor in the Army, and within two or three years I was earning much more than him, and within a few more years than that, I remember earning three or four times more. Which didn't seem right. I gave a talk at Liverpool University, said I remember paying 90 per cent tax. And at the end of the talk one of the students put up his hand, he said, 'Mr Barry-Walsh, I think you made a mistake. I think you said you paid 90 per cent tax. Of course that can't be true, because nobody, nobody would work if they were paying 90 per cent tax.' I said, 'No no, that was absolutely true.' People can't believe it nowadays, but, that's exactly what I paid.

[24:48]

Mm. You talked about valuable lessons. Clearly you were very successful as a salesman and have been to this day as well. But if you had to, I was going to say, what would you attribute your success to, you know, perhaps some bullet points of things you learnt that led to your, your success. If you were advising someone today who had aspirations to be a top salesman with a company such as IBM, or, indeed any other company, what would you say, if you said, you know, three points or five points or whatever it would be that...?

I'd say the most important point is, questioning, and then listening to the answers of the questions. I, I get really upset when I see bad salesmanship. If, if they even get round to asking me a nice open question, like, 'So what would you like?' and I respond, so often they go, they ignore it and they want to get their spiel out and tell you about why their product is so great, and it has this feature and that feature. So, so the skill is, understanding the requirements of the customer, and then matching your product to, to those demands. So, it's really key. And actually generally giving, giving a toss about the customer, both before and after. And being sincere and open. I've always found that most, most successful. And if it's not the right product, then don't flog it to them.

Mhm.

You might make a short-term gain, but your reputation will suffer.

[26:23]

Mhm. And training at IBM, did that, did that continue?

Yes. What was interesting, almost every January we were being retrained. We... Their training budget was obviously pretty substantial, because, I would say, two to three weeks every year was dedicated to training. And very good training. I remember going through a couple of years doing a London Business School training course, a management training course, and, learning about accountancy and how to run a business, how we, how we can tie in IBM computing systems with, with financial systems. What was interesting in that, I learnt the theory, and I didn't understand it, really understand it, until I started running my own company. And somehow I think you've got to make training, education, more practically related, because, that's when you understand, well that's when I understood; maybe other people understand better. But I really didn't grasp accountancy properly until, until I had to look at our own balance sheets.

[27:36]

Mhm. And during that time, I think, you were with IBM for about nine years I think...

That's right, yah.

There must have been some obstacles during that period of time. I would be interested in, obstacles or challenges. I'm just thinking that perhaps you could identify one or two of those and say how you overcame those challenges at that period of time.

So, IT moves fast. Products come and go, and you have to adapt and organise yourself. So, I think it's really important to get the important things right. What actually make... What's going to make a difference, what, what's a key part of your

job, and how will you be judged successfully? So... And I think it's so easy in big organisations, whether there are 1,000 calls for you to do this, that and the other, to forget what's really important, and to pursue your interests, do your job really well. You won't be judged on whether you respond to every memo; you will be judged on, if you achieve your objectives. So, what's your objective, what do you have to do, and do that first, laser-like. That's the most important thing. And if you can do other things, fantastic, but you're probably not going to be judged on those. So I think, you've got to concentrate on what's going to be really important. And it's exactly the same in business. You've got to work, what's going to make your business successful?

Mhm.

And you say right, well it's, if we can get this alliance, so if we can sell this product, we'll be successful, and the company will be on its way. So, just concentrate on that. Don't worry about the type style, the health and safety, the whatever. That's, that's not going to get you to where you want to get. You've got to concentrate on the thing that really matter. And, today there's even more distractions about, what's your policy on this, and what's your policy on that? And I tell people, I invest a great deal, look, concentrate on what's going to make you, make you successful, and frankly, just ignore the rest.

Mm. I suppose one clear message, what you're saying, is, you've got to have defined objectives to begin with.

Absolutely. Absolutely.

And then you've got to monitor them.

And that's true if you start employing people, you... I just give very simple objectives, really, really simple, and then, it takes about five or ten minutes to check to see whether that or those objectives are being met. And I don't think more than three key objectives; anything more than that, you can't really focus. I, I despair, when I saw local authorities have got 127 key performance indicators.

Mhm.

Well, if you had 127 dials in your car, do you think you could watch them all? I mean it's, it's simply ridiculous. And so, I'm a tremendous believer in, try to keep things simple, and focus on the important issues.

[30:36]

Mhm. And then, after nine years you decided to go it alone.

Well, actually, I decided earlier than that to go it alone. I had one false start so to speak, and that was with a chap, I told you, one of my best buddies went to Microsoft. Before that he had worked at a company called Logica, which was probably the leading UK technology company in the Eighties and Nineties, certainly one of them. And, they were writing drivers for people. And I went across to Dallas with a business partner, and I managed to secure a £200,000 contract on that, and came back full of glee that I had made it. I was off.

Mhm.

And, I had got a couple of guys from Logica who were going to write these drivers. Now there was probably only about 20 people who could write these drivers in the world, and fortunately, one of the key guys who was going to do it had been recruited by Microsoft from Logica, and decided the best thing he could do is to tell Logica what Mr Barry-Walsh was up to. [laughs]

Right.

And so, I didn't have anyone to write, because I was banned, and those two gentlemen were banned from, from undertaking that exercise, or they'd be made redundant.

Mhm.

So, I, [laughs] I had a brief euphoric period after going to the Dallas forum, Unix forum, and it lasted all of two weeks, and then, that particular business idea collapsed very, very quickly.

So was, this was post-IBM, or were you still there?

No, I was still working at IBM. That was my, about my eighth year. So myself, well I was looking for, for ideas. And then I teamed up with a chap called Paul Hearson. And when we were selling System/38s they said, 'What's your disaster recovery plan?' Which is a pretty pointless question, because there were no disaster recovery companies around that we knew of at the time for those machines. So, we thought, there must be a demand for that. We then sent out to, installed a database, would you be interested in a plan? And we got 73 responses. And we thought, gosh, we might be on to something here.

Right. OK.

And, and that's how our business was born.

[33:06]

And so, at that stage, so we're just talking, mid-Eighties, or just before '86...

Yup.

A player like IBM weren't offering continuity services as we know them today.

No. Not at all. And I wasn't aware of anyone offering any services.

No.

In America there were some services being offered, but we thought we were inventing something new.

Right. So did you identify the market before you left IBM?

I didn't, yah. I, I was working pretty hard on that. And I have to confess, my, my sales were suffering. And we started working in July on that, and I think in September or October when we got all those responses, and we started going to visit people, we thought, gosh, this is, this is, this could be real.

Mhm.

And so, we decided, right, we're going to have to start, start a business.

[33:57]

Right. And in starting that, that business in '86, of course we're talking about Safetynet...

Yah.

So, the two of you came away from IBM, was it...

The pair of us resigned in December, and, and started on January the 1st. So, we, it was quite, quite challenging. Because we hadn't raised any money. We just thought we wouldn't pay ourselves.

Yup.

There was one glaring hole in our business plan, and we needed to buy at least one computer, and unfortunately, they were about quarter of a million pounds at the time.

Right.

Which was a bit of an issue, because we didn't have quarter of a million pounds. And, to give you an idea, my house, three-bedroomed terraced house, was valued at £47,000. So, so it was three times the cost of my house. And we decided it was so expensive it wasn't, wasn't worth putting our sort of, £20,000 worth of equity on.

And we decided we were never going to jeopardise our house, no matter what happens. And that's been the advice I give to entrepreneurs, never risk your house.

Right.

Don't, don't do it. Try and be creative. And because we put that, that benchmark down, we were creative and we did find a way of, of raising that funds, or getting hold of a computer.

Mhm. So, interesting advice about, don't put your house on the line, because, I remember, [laughs] in the dim and distant past, that used to be the advice of some banks as well, but that seems...

Oh they love you, they say they like to see commitment.

Yes.

But, we think, we, myself and my partner thought giving up a job, a well-paid job, and not paying ourselves, suggested we had got quite a lot of skin in the game as it, as it was.

[35:45]

Yes. So you needed funding, as you say, about quarter of a million, to, for this first machine, you needed about... So how did you go about funding and...?

How did we go about it? We struck... Because it was such a large sum of money, we went to 3i, put a business plan, and 3i were then the biggest venture capitalists on, or private equity company, around at the time. And they rejected it. Which was a bit of a, a bit of a blow. And then I came up with the idea about going to a computer leasing company. And we, we were operating out of IBM, 103 Wigmore Street, and next door to us was a computer leasing company called United Leasing at 101 Wigmore Street. So we approached someone we knew there, and were introduced to the managing director, who was, slightly upset to see someone, we were 30 at the time, and the managing director was a young lady of 27. [laughs]

Mhm.

And, we put a proposition that, that they would take an equity stake in our business, and they would own the computer and give us a balloon lease. So, we didn't have to pay anything in the first year. If we didn't hit a certain target they would take the machine back, only losing one year's depreciation. So, at no stage did anyone have to put quarter of a million pounds in, it was actually one year's lease that was at risk, and so consequently it was the depreciation, not the capital value. So, that was quite a creative way, and we, that's how we, how we ended up getting the computer. And I say to people now, don't just look at raising these huge sums of money. Look at, work out what you need, and can somebody provide that to you, without you having to raise massive sums? And I think people are just too quick to go, oh, I need this much money.

Right. But you did have to give up something for, for that investment.

We did. Yah, we gave up, we gave up fourteen per cent equity. And we also needed a backup computer if we had more than one customer, which clearly we were planning to do. And so, the second part of our plan was, we work with an IBM agent who had a development computer, a System/38 as it happened, and that was our backup. And they, got better negotiation, they got 24 per cent of our equity. But, we had to work for them two days a week. And that was our, that was our, our income if you like. We, we'd got a backup computer, and they provided a small salary, which was, was very handy. Actually, it wasn't very much but it was, it was something.

[38:36]

So effectively, to get Safetynet off the ground, 38 per cent of the equity was, I say, given away, or...

Was given way, yah.

...at the outset there. In the first year, you said before you left IBM there was a, this great interest. Did that materialise into sales in the, in the first couple of years?

Not at all.

Not at all?

Not at all. [laughs]

Oh right. You surprise me actually. I thought the answer was going to be yes.

Well, well... There was great interest, but, we went six months without a contract.

Mhm.

And, it was really a very, in retrospect it was a very challenging time. But absolutely typical of many businesses, we found people would, were very helpful, give us all kinds of advice when we were trying to set up some innovative ways of doing things. We got lots of tactical advice. And I say to everyone, get as much advice from people as you can, and you will get that free of charge. But you are also second on their agenda, you are not the most important thing. And we found lots of meetings were cancelled. I remember, we did a review, and we had something like eight meetings lined up and we thought, another busy week. Every single one was cancelled. That was in June. And that's when we were starting to get a bit worried that we hadn't sold a single contract after six months. So we were, we were getting a little bit worried on that. And, then, we did get one. I can remember it clearly. Tokai Reinsurance. We did get it. And years later I said, 'Why did you, why did you sign with us? I mean we had no track record, no history. It was a risky thing for you to go...' And, the chief executive said, 'Well you seemed a couple of nice boys, and, I was leaving the job anyway.' [both laugh] And, we thought it was our brilliant and compelling sales pitch.

Yes.

But actually, it was, just somebody was leaving, and, it didn't make much difference to him. [laughs] And he just gave us a helping hand. And, that was our first, our first contract.

In the life of the company, when did that...? post six months or...[?]

That was, that didn't come I don't think till August.

Right.

So that was, it was, it was pretty... Then, then they started dropping, sort of one or two a month. And by December, I can remember quite clearly, we had £112,000 in the bank. And this is where the accountancy came in. So, once the accounts had run through, they said we had made a loss of, it was about £50,000 or £560,000. And I remember thinking, but we've got £112,000 in the bank.

Right, yes.

We, we've hit our targets, we're doing, doing brilliantly. But they said, 'Of course you've got to accrue those contracts over twelve months.' And, so, you haven't provided, you haven't delivered the service yet. And it won't be delivered, so, as I say, most of the contracts were back-ended, and we hadn't got anything in the first few months. So of course we didn't have any income to recog... or very little income to recognise. And that was a characteristic of the business throughout its entire life. And, I was constantly trying to work out ways to bring the income recognition forward as much possible. So, one of the tricks I used to do is say, 'Look, I'm going to cover you, because you seem like a nice chap, I'm going to cover you from today. We'll say it starts today, and it might take you another two weeks to get the contracts all sorted out.' Invariably it takes six or seven weeks. But I could go back to that time, his anniversary would be, you know, 2nd of May, not, when it finally gets signed, which was probably June or July.

Right, OK. But at the end of the first twelve months, if I understood you correctly Paul, you had contracts worth £112,000?

That's right, yah, we did.

Yeah.

So, we, we are on our way. And, we had hit our target that United Computers had asked for, and we had hit our target that Bluebird had asked for, and, we weren't in a position to pay ourselves out of the company yet, but we were, we felt we were good.

[42:45]

There's one other thing I'd like to think, that seemed particularly true in IT. Because there were a lot of other companies starting up, and, I was still driving around in an old, my old, the old car I bought from IBM, and I remember, there were two or three other guys who started businesses, software houses typically, and they had Porsches, that was the car of choice in IT. And, this, in some ways it doesn't cost much, you know. It's just interesting, within five or six years those guys had gone bankrupt, and their businesses had been taken over and they hadn't made any money. And I do, I would say, take a long-term view. Don't spend the money, don't pay yourself much, build up the reserves for a bad time. It's really, really important. And I just see so many people not doing that.

[43:34]

Mhm. And, you said when you set up Safetynet, there was no other company like it in the UK, in other words, attempting to provide those services at that juncture in time.

Are you saying, shortly after Safetynet was born you did start to see competition arise?

We did indeed. Yeah, we did indeed. There was, there was an American company called Comdisco which was doing this on mainframes, and there was, about nine months afterwards a mobile disaster recovery service was developed, a company called SOS, which we bought about five years later. But, yes, there was a real... And it was, it was the Wild West and things were developing fast. We had taken a different, more stable, approach we thought, and we decided to keep the system still, and use communications.

[44:27]

Right. Now, perhaps you would look to, in your time at Safetynet, and we'll come on to, you actually sold Safetynet in 2000 I believe, what type of, what would you say were the prominent milestones during that period of time?

The first milestone is actually employing somebody. [laughs]

Right, yes.

I remember, that was a... And that took us, it took us till our second, end of our second year before we employed our first, our first person. We employed a secretary. And that was very wise.

Mm.

Other key milestones were, building a sales team, and getting past 20. So, a lot of companies flounder, because you have to sort of, have a, a change. You go to a switchboard. Remember people didn't have mobile phones in these days.

No.

You've got to open multiple offices. We opened our office in the City. So there were a lot of...

[pause in recording]

[45:33]

Yeah, getting to 20 employees was a key milestone, because, things start changing dramatically. You have to start thinking about, pensions, plans, structure, all kinds of things that perhaps with a very small company you don't, you're sort of moving into a different, a different league. And I guess, when we moved and had our sort of, a proper head office, that was a very big deal for us, where we had our own dedicated offices, and we had had to put in a dedicated 30-amp supply for generator backup. I did have one very unpleasant lesson during the move, and that was that, the business always had cash in its account, and, we were going to move over the summer holidays, when it was, when it was quiet. And, whenever you take new offices, there

are always surprises, and extra costs, and, our bank always said, 'Do call us if ever you, if you're going to have a run, so we understand what's happening.' So I called, and the... I said, 'Look, we might just go overdrawn during this period. It's a quiet time in terms of invoicing. So, we might have a small overdraft.' Bear in mind we had been operating, I think for four or five years; had never, ever gone overdrawn, we had always had cash in the business. And I can remember a Barclays manager saying to me, 'I'm sorry, I'm not authorised to give you an overdraft.'

Mm.

It was, really shocking. And, I saw, one of our partner, one of our investors was a company called Bluebird, and, a few years later they had exactly the same kind of thing, they'd had a few close shaves before, as most software houses. And they pulled the plug. And it went down. We made some contingency. We opened a bank account with another bank, and we moved our account away from Barclays.

Mhm.

And we didn't go overdrawn, we made very, very sure that... All this partnership and so forth, when it came to the crunch, was worth nothing. So that was a salutary lesson. And that just underscores a point, cash is king in a business, and if your business, if you can have a business model which generates cash up front, that's great; if you don't, better to be cautious, and don't grow too fast, and keep cash in, because you never know.

No. I mean, and, I mean a lot of business go out of business, not because they're not profitable, it's, they're insolvent, in other words they can't pay debts when they become due.

Absolutely. Absolutely. And, I was pretty determined that wasn't going to be us.

[48:23]

Mhm. And you mentioned, you got to that 20 employee mark. Approximately when was that in the, in the life of the company?

Approximately, we, that was about, after three years. So we, we had a big growth. We, it took us a long time to get to our first employee, and then it sort of exploded. Our business plan was remarkably accurate in terms of, in terms of our costs. Fortunately, we underestimated the revenue we'd get, and, and so we were in a position to grow the company quite quickly. We were growing really quickly when there was a recession, and that probably worked well for us. So, our average compound growth rate was about, 30 to 40 per cent, 30, 35 per cent. I think that's a great growth rate. I think that, that's, it's sustainable. If you have 100 per cent growth rate, it, it really struggles. I'm involved in companies now that are growing at that rate, and it's really hard planning ahead, those sorts of rates.

[49:28]

Yes. And talking other milestones, at fourteen years of Safetynet...

Yah.

What's...

What are the other key things? We opened our French office very early. Again, that was after, within five years, we opened an office in Paris. My belief is that the Eurostar is, was constructed to try and help save failing French subsidiaries. [laughs] Because, when I went over, there always seemed to be lots of managers doing just that. So, again, I think I would advise not to, don't open a subsidiary in France too early. We convinced ourselves it was just like Scotland, in fact it was closer. But there is a huge cultural divide, and, we put an awful lot of effort to make that profitable. And it took another four years of hard work before it, it really, really started working. So, it was a, it was a struggle. And frankly, we would have been better off concentrating on building up where we were strong here in the UK, particularly as some significant competition was beginning to emerge. So, that was, that was probably a mistake to get, we went international too early.

So, the choice of Paris, and you say, going internationally, but, was that based on a, a given client's need, or just a, the ease of getting to the French capital?

Probably both. Frankfurt would have possibly been a more logical one, given that most of our clients were from the financial sector. Not all. It wasn't a... It became much more, as time developed, it became much more financially biased, I think 60, 70 per cent of our clients were, were financial. But in the early stages we had Johnson Wax, Johnson & Johnson, Tambrands, a lot of big industrials were also clients. But they, they became a minority over the passage of time.

[51:33]

And, and in terms of sort of, really key milestones that I remember, I remember when we decided to have our own user group conference, and having enough clients to get to hire a proper hall, and getting serious people along to talk. And that, that was very important. Having a user base, and I tell people now to do it, is, is important. One, it tells you how you should develop your products; two, it builds loyalty, because of course you're, you're wining and dining them; and they can identify with your success. We had a number of clients who were incredibly loyal to us, acted as great references. So I think, the small sum we invested in, in wining and dining and putting on, we tried to put on as good a day for them every year as possible, was, was really worthwhile. It was a milestone. I think we did that, again, after our, it was probably between our third and fourth year in the summer, in June, was when we ran our first, first conference. Because then we starting to get 40 or 50 customers, and it was beginning to become real.

Mm. And you say primarily in the financial services but not exclusively.

Not exclusively, yah.

And, I suppose a thing about user groups is, it's all right organising them, as you say, build up loyalty; the other thing is, perhaps, going back to a point you made earlier in the interview, would you say the important thing is to listen what's being said at those user groups as well?

Absolutely. They'll... If you ask a sales manager, 'Is your customer happy?' they're always delighted. But it gave, it gave us, Paul Hearson and myself, a chance to speak directly to the customers, and they would bend our ears, they would tell us, we want

this, or we want that, or this didn't go well. And that's really important. Being, being close to your customers, and listening to them, is, is vital, and it doesn't matter whether you're a FTSE company or there's just you, listening to your customers is, one of the most important disciplines you've got to adopt I believe.

[53:43]

And in '93, I mean, the mainland, or, UK was subject to, unfortunately, terrorist bombings.

It was, yah.

And, and presumably that highlighted the need for, for continuity, or, or focus minds should I say.

We had had one or two disasters. We signed up Wallis Fashions, who had had actually, their offices had actually burnt down, and we had taken a lot of lessons through... They weren't a customer of ours, because it happened before the business was launched. But, we took them on. And, we asked, we interviewed him extensively, looked through, went through all the lessons that he had learnt, and tried to incorporate that into our service. And, of course, we were a business continuity service, and, we were there for people who had disasters, and, frankly, in the first two or three years we had nothing. So it was a great business, they paid money upfront, and all we had to do was provide an annual test for them. So, I didn't realise quite what an attractive business it was. [laughs] Maybe that's why I've gone back into it after all these years, I've become re-involved. And, it would have to be, the, the bombings, the IRA bombing campaign in the mid and late Eighties was really a turning point, because, they were probably our best recruiting sergeant. The most memorable of those I think was the bombing which took out the HSBC building, and we had two clients in that, one was Tokai Bank and the other was Banco di Sicilia.

Was that the Canary Wharf bomb, or the Bishopsgate?

No, it was before that. It was the Bishopsgate.

Yes.

And, at that time the technology was such that, we had pagers on our belts, [laughs] which I remember almost falling off. It hadn't gone off really in earnest. And, this thing went off. So we knew there had been, there had been a bombing in Bishopsgate and we had to wheel into action. I'm pleased to say, it actually went pretty well, because we had by then done a number of tests, so, fortunately we didn't, we weren't tested until we were pretty well established. But, both of those banks were actually operating out of our system, they were with us for quite a long time, Banco di Sicilia I think for about, eight or ten weeks. And, they, they operated out of our, our premises in, in north London.

Mhm.

[56:28]

What was particularly nice about that is that, we had just launched, not just a computer disaster recovery service, but a backup dealing service. So, this was listening to our customers again. If you're an investment bank, and a catastrophe occurs, you've got to be in a position to close your positions. If you can't close your positions, then, you've got almost unlimited liability, and so that so that could risk the whole bank. And so, we set up the first dealing rooms. I had approached the managing director of Reuters, explained what we did, and, it was a pain in the arse to negotiate with a big company. In fact, one summer holiday, after four months arduous negotiation, I remember I was down in Cornwall, I got a message from the FD saying, 'Actually Paul, we're not going to go ahead.' I, I nearly died. I got straight on a train, went up. [laughs] Forced my way in virtually and said, 'Look, I've got to speak to him.' And, I think he was impressed by my determination. And we got the thing back on track. But it's very difficult. So I would, I would say to entrepreneurs, another lesson is, when you're knocked back, don't just accept it; you've got to go in there and fight. You've got to. Because you're going to get, I guarantee every business will get knocked back once or twice. What I notice between successful businesses and ones that fail is, people don't, they don't fight when they hit a problem. And I've noticed it in some of the investments I've made. I think perhaps when you're younger you're brasher, and, you just don't take no for an answer, and I

think you've got to maintain that throughout your life, you've just got to, you've got to fight for the business.

And we'll come on to this later, but, presumably that's something you look at when you're considering entrepreneurs at Fredericks as well.

Who you invest in.

And, and those you, those you invest in as well.

I, I... I invest in a lot, I've invested in about 28 different businesses. Many of those haven't done very well, [laughs] and failed quite quickly. But I've been looking to see what have been, what's the difference between the successful and the unsuccessful? Quite interestingly, despite successful, people with great track records and being successful entrepreneurs, some of the ones who have failed are, are exactly those people. And I just wonder, why would that be? I think one, they're not hungry, and two, I think the world is changing at an ever faster rate, and it's the youngsters who seem to be doing pretty well in my investments, not, not the oldies.

Mhm.

And so, my advice as an investor is, it's really bad on the old folk like me, but I, I've got a bias to investing towards young people who don't take out a salary and who have completely committed.

[59:34]

Right, yes. So, I mean, what key events at Safetynet led to, I mean, its success, pre-sale, or, made it attractive to...?

So, it's worth stressing. I started with a partner, and he was a partner and he was a neighbour, and, we walked and we talked about business all the time. And, I think one of the reasons why I believe working with a partner is really important is because, what I know is, being a single chief executive, by yourself, is a lonely job.

Mhm.

And I say, you, I say to people now, you need a mentor, or a, or someone outside the business that you can talk to, but, if it's somebody inside the business, who's really committed, it's nice to talk about all the problems of the day, and, and you sort out a lot of issues. It, it was really a 24-hours a-day, we went on holidays together, we talked about the business the whole time, and, I think the business benefited from that.

Mhm.

We tried to be great employers, and, we, we tried to pay better than the average, which was something we had learnt from IBM. In fact, all we knew was IBM and how to do it.

Mhm.

And so we pretty much followed IBM's method. We tried to do a lot of training, particularly in the technical side, and to try and give people some advancement. And, clearly it was very successful, because, the alumni of Safetynet I'm still in contact with and they still refer to it as some of the happiest working days in their life. And many of them have gone on to do, to be successful in other spheres. But, it was a very happy and driven place with very little red tape, and people were paid according... they had simple objectives, they delivered their objectives, they were well paid.

[1:01:34]

Mhm. And, in the second half of the Nineties, '97, '98, Paul Hearson and yourself decided to go your separate ways.

Yes. So, we had had ten great years, nearly eleven great years working together, and we complemented each other. And, it was a very happy and successful relationship. However, the differences in us began to emerge. The catalyst particularly was, we decided to get a chairman, and we couldn't agree who the person... We couldn't find anyone to be chairman that we were both happy with. Till finally he said, 'Well look I've got a mate.' And I agreed to his mate becoming chairman. That was a terrible

mistake on my part. [laughs] Because his mate did side with him ultimately, as, fair enough, and, I was isolated on the board. And at this stage I would probably say I was the bigger driver in the company. I had done the deal with Reuters, I had developed some of the new products, I had pushed us out internationally, I ran the salesforce. And, and Paul basically did, did the other things. He wasn't a technician, but he, he filled in the financial roles. That perhaps wasn't his strength either. So, anyway, we came to a, a point where, he wanted to sell the company. I can remember clearly, he said, 'Look, I've been approached and someone wants to give us £12 million.' And, I was terribly ambitious for Safetynet at the time, and said, 'Why do we want to sell?' By this time we had bought out our two partners who helped us get going, because, the company had generated cash, we were able to buy out first United Computers and then Bluebird, who had actually gone, gone bust, but we, we paid them out. And, so, Paul and I had, I think about 38 per cent, and Reuters had taken a small stake in the head company.

Mhm.

So it was, it was, it was a difficult time. We did manage to keep it from the company, we managed to keep growing for another year or two, but, from coming into work and loving it, we came to the office, we had offices next door to each other, and it was really, very difficult.

[1:04:05]

And so, I was working on my next product, which was, online backup. Went out to the States and, and got friendly with some guys who had developed an online backup product from MIT. And, I decided, I wasn't going to share that with Paul. Why would I? We'd do it, we'd do it ourselves. And so, I started another company, called Netstore. It was Netstore Inc in America with an American chap. And, the guys in MIT said that actually, they wanted to deal with me, [laughs] rather than their American counterpart, and could I act as distributor in Europe? And I thought about it. I remember being in a Chicago motel and saying, if I accept this, my Safetynet partner is going to go bananas.

Mhm.

And I thought very deeply about it. I think I discussed it with my wife. And, I thought, well I'm going to do this anyway. And sure enough, the shit hit the fan [laughs] when I got back and I explained what I had done, and that I was starting a new company. But we had to carry on. And, we came to an agreement. I said, 'Look, you want to run the company. I'll go away for a year, and, I'll start Netstore, a cloud computing online backup company, and you can run Safetynet for a while. You want to step down, you're older than me. And then I'll come back and run it.' So that was what, that's what we agreed we would do. So that was me heading towards, that was '97, and I would be coming back in '98 I think.

Mhm.

[1:05:57]

And I started Netstore. And, we were very fortunate. Within a very short space of time we managed to win Sysco, worldwide online backup contract, and we had the most advanced online backup service in the world I think, because it didn't do, once it had done a full backup, it only made the incremental changes. This was revolutionary at the time. And, so it cut down bandwidth, and we didn't have such great bandwidth. And, that was, as I say, worldwide, and I think the contract was for about quarter of a million pounds. Interestingly enough, this was when technology stocks were beginning to go stratospheric. It was, it was an absolutely extraordinary time in sort of '98, '99. We saw companies with ridiculous valuations. And, speaking to another buddy, who is now a partner of mine in Frank Investments, he said, 'Paul, why don't you go public?' And I said, 'Well I can't, we've, we haven't got any revenues.' He said, 'No no no. It's absolutely fine, you've got a real business.' He had invested in Netstore. And, we put it on the path to, to go public. Only after Paul and I had decided, when I came back, that we would put Safetynet into the public route. And we decided, OK, well let's sell it, we don't know how to do. And we were in an intractable, it was an intractable situation. We went to Dresdner Bank, and employed them, and, our way out of our impasse was, we were going to sell Safetynet. Because I just couldn't see any other way out of it.

Mhm.

And we went, went down the runway so to speak. And then the stock market collapsed. I can't remember exactly when it was, except Goldman Sachs pulled their float at exactly the same day that we pulled ours.

Right.

And so, we were back to square one. Paul and I had way of resolving our issues. And that's when I started working on a plan to try and buy him out. Which, after another lot of things, was ultimately successful.

And now we're talking about 1998.

So now we're up to 1998.

So effectively, at the end of '98 you had, you ended up with a 51 per cent stake.

So... Yes, end of '98, I had 51 per cent. Instead of having £5 million in the bank, I now, of the first time in the company's history, I paid him £32 million, and so consequently, had a £28 million debt on the company. This time to 3i. 3i didn't want to miss out on it, and they provided the core funding, and, and the debt for the, for the business.

[1:08:39]

Mhm. And if we take, sticking with Safetynet for a few moments, and you've already mentioned, I say, not on the side but you had already founded Netstore.

Yes. But it was on the side.

No, that's... Well, yeah. So, that was in '98, the majority owner of Safetynet. Two years down the road, you actually sold the company on to Guardian IT.

That's correct. Yes.

So, what prompted you to, to do that?

To do that. So, this is one of the big lessons I had had. Never had debt in the company. When I got, got back, bear in mind we had, every year we had grown by about 30 per cent; suddenly we weren't growing at 30 per cent. And 3i, I think we had only done a fifteen per cent growth, and we had missed our targets. We were very close to breaching covenants. Now, any chief executive, when he hears the words breaching covenants, it's a very very sweaty time.

Mhm.

And they asked me to put a plan together to ensure that we didn't breach a covenant. So, the company had been going for thirteen, fourteen years. We had never had a redundancy. We had only ever employed companywide, it had only ever been a growth company. And I put a plan together, and they said, 'That's not good enough. We think you've got to take some cost out of the business.' And, the clear inference was, if I wasn't going to do it, I would be replaced.

Mhm.

So, this is a second time, after my IBM [laughs] training, the second time I had a really intense weekend. I had to write a new business plan, and take some costs out of the business. And I remember taking the three or four salespeople out, to save costs, to ensure that we didn't breach any covenants. We didn't, and in fact we could have survived without taking that out, but it was a close and hairy time. I assumed that as soon as I went back to Safetynet, my brilliance would ensure that everything was fine. But actually, that wasn't the case. There was a bit of a downward momentum, morale was low, the public spat, the spat between my partner and I was public, and the morale wasn't what it, what it had been. Which fed into a decision. In 1999 we received a ridiculous offer for our business, which I flatly rejected. I think it was something like 120 million, and I flatly rejected that. 3i put a chairman in on top of me, who was there all the time, a man who had been the top accountant, a man of great intellect but not great commercial expertise, but he did say, 'Paul, these prices are high. Think really carefully before you reject them.' But, my ambition was to

make this a British, a leading British company. I hate the fact that we keep selling out, and we've done it again. We do it again and again.

Yup.

ARM's just sold out. And, I wanted to be one that didn't sell out. And I, I got very close to achieving that. However, I do remember, you were talking about key milestones, I remember a board meeting, and, we received another offer for 130 million from another source, and, my chairman said, 'Look, you've got to, you've got to bring this to the board, and it's got to be discussed properly.' So I discussed it, and, at the end I said, 'Who would be in favour of taking this forward and selling?' And I went round, and everyone was. Partly because every single person had, I had given everyone a stake, so, there wasn't a person round the table who didn't have, who wouldn't make a lot of money out of that.

Mhm.

Not only I had given all the directors a stake, but I had given every employee a stake, even the receptionist, and I remember they, their stake was enough for them to buy a new car. So, I'm not sure it's right to give everyone a stake in retrospect. It seemed absolutely the right thing to do at the time. Anyway, I had given everyone a stake. I went home and I talked to my wife about it, and I said, 'Look, everyone wants to sell.' And she said, 'Paul, I want you to sell. You've, you're exhausted. You've had a really tough couple of years. You've had a... I think you should take the money.' Which wasn't what I wanted to hear at all. Every single person I talked to said, 'Take the money and sell.' Anyway, I decided not to. So I rejected that bid too. [laughs]

Mhm.

[1:13:37]

However, I had, I had commissioned something as part of my plan. A market research company had come to us and said, 'We want to do a review of marketplaces, and now it's highly competitive, there's about ten players in the marketplace, and we want to do an impartial review. It's going to cost you, thirteen, fourteen thousand

pounds.’ And I thought, bloody hell, that’s a lot of money. No, we’re not going to do that. And I can’t remember what, why I changed my mind. It was the best thirteen or fourteen thousand pounds I have ever spent. Because, not surprisingly, I knew, we came out as the best supplier on almost every category.

Mhm.

And that was published after the, I think the offer for 130 million came in, Safetynet came... Now I saw that as my platform to go on and build; our salesmen could go out and say, ‘Look, we’re the best,’ and I was going to use that to a sort of, launch into the States, and take us to another level. However, all it did was to get our bidders increasingly hyped, and they said, ‘Right we’ve got to get Safetynet, and, and Guardian and another publicly quoted company, up the ante,’ and they went up, put in another bid, for something like 160 million.

Mhm.

So it’s getting silly. And, and the pressure I then received from everyone, they said, ‘Come on, you’ve got to think about it.’ My chairman took me aside again and said, ‘Paul, I don’t think you’ll see prices like this again.’ He said, ‘I’m older than you, I’ve been around. This is a huge multiple.’ Which it was. Our profits were five and a half million or something. So 160 million was, ridiculous. And, he said, ‘Paul, you’ll be set for life. This is, this is it.’

Mhm.

That time, I listened. And I said, ‘OK.’ And we set up a war room, and we let three or... We signed, and we let three or four people fight out the bid. And I think it ended up at 172 million. I still had the debt I had to pay off, the 28 million or so, but, I did have a 51 per cent stake of that, so it was, it was a lot of money. And so, just as I was simultaneously preparing Netstore for launching on the main market, I was, I was wrapping up a deal to sell Safetynet. Which was probably one of the saddest days of my life.

[1:16:21]

Mm. And, and how many staff did you have at that juncture of time?

Not a lot. We had about 120 staff worldwide.

So 120 staff. And your turnover at that juncture in time, would you say?

Our turnover was about 25 million.

25 million. But interesting, even to this day you consider the saddest day of your life, everyone was... financially, a very positive moment presumably.

Yah.

Because, with your money, and what others did with their money. But, as you say, your ambition to, to run this as a British company had gone.

I wanted, I wanted... We, we were without question the most innovative company, and I thought the... I betted that being private would be better than being public, so, a couple of our competitors were now public companies, and I thought it was better to be private. I was absolutely right. What I didn't take into account was the longest bull run and the ridiculous valuations that they were receiving, and so consequently they were able to offer ridiculous valuations to us. And what I subsequently found out, they had to buy us. If they didn't buy us, they'd been recognising revenue forward, and, Guardian was the biggest dropper in the FTSE in 2000 to 2001, and their share price dropped enormously. And I found out after the deal was completed, they had effectively been manipulating their, their financials. And that was another reason why I decided to sell, because I was frightened for our employees being left behind by big boys.

Mhm.

That wouldn't have happened.

[1:17:59]

The market research company that came in, can you name them? Just out of... I'm trying to...

I can't remember. I can't remember. I've got the report somewhere, so actually...

No no, it was just... But an organisation effectively, as you say, spent just over £10,000, or £14,000, on, they write an objective report but a glowing report, which effectively affected the value of your company materially.

So, so, yes, I mean, it lifted... I mean, they, they probably lifted our valuation from 130 to, ultimately it was 172 million. So, that was [laughs] 42 million up on, on just, just that report.

Worth the 14,000. And you...

So it was worth the 14,000, yes.

[1:18:43]

And you mentioned about Guardian IT. I mean buying in 170 million, and then they ran into some financial challenges for themselves. And they actually sold on the company.

They sold on... Within, within a year they had been bought, less than a year, I think after about eight months, they were bought by an American company called Comdisco. Who also ran into difficulties, and they were bought, in short order, by SunGard.

Right, OK, yeah.

So, SunGard actually, to this day, rolled up most of the companies and became the gorilla in the space. And, and the managing director of SunGard, who I'm in touch with, sat in my office until three years ago.

Mhm. And, and did you ever do any work for Guardian IT yourself, or...?

I did. I, for six months I, I worked. And it's interesting, because, I was completely left alone, and, in the end I decided I would start writing weekly reports, and, reporting those in, because, we were pretty much ignored. I thought it would be great to be left alone, and I could play around, develop some new backup products, and, and actually, I didn't like it. There's only thing worse than being talked about, [laughs] it's not being talked, I think Oscar Wilde said. And, and we were completely ignored. And so, I tried to fight that.

[1:20:14]

Meanwhile, Netstore. How was that progressing?

So, Netstore was progressing well. I decided to use the... I... It was going to be a get rich quick plan. Ironically, it didn't do nearly as well as Safetynet in that, so, I think there's another lesson to be learnt there. And I also thought, as we hadn't gone public in Safetynet, we'd go public in Netstore.

Mhm.

So, I wanted public money for us to grow much more quickly. And, in a way, in the early stages it worked, but of course, there was the IT collapse in, in 2000. Our share price fell from 160, within six months it was down to fourteen pence.

Mhm.

They completely discounted the £30 million we had in the bank, and they must have thought I was a complete idiot. And, there's a little, a little interesting PS. About... I went back to run the company for a year. And, it was, it was losing quarter of a million pounds a month.

Right.

So, it was , it was not in a great space. And, I had allowed myself to fall for the bullshit that says, you know, it's a land grab; Paul, you don't get it, you've got to be ambitious, you've got to go for this. And, all we found was that we had got a business where we had an employment engine, we were recruiting tens of people a week, and then, I wanted to show I could run a company, a little bit of vanity, in tough times. But it's not fun. I then had to cut down our workforce dramatically, and cut down our bleed rate, and try and get us to, to a break-even point. And, and it was very hard work, and very unpleasant work.

[1:22:18]

Mm. And Netstore at the time were described as a, well, application service provider.

You're exactly right. Yes. We couldn't find a name for the service, so, we really struggled with, with... I mean there were a number of, there were a number of names going around. ASP, or Application Service Provider, was the one that was knocked around in the early 2000s, and, that didn't capture the public imagination. It wasn't really till 2004, 2005, and Microsoft coined the word 'cloud computing', which for some reason people got, and they said, ah, right, it's in the cloud. I couldn't understand what the difference was, but, it, it worked.

In a way, it's a form of outsourcing.

Indeed.

Yes, so it's outsourcing, outsourcing your mail systems, your remote access type of situation.

It was. Exactly. It was outsourcing. We ran, we were running email and online backup for, for some fairly significant companies, and have a data centre base there.

[1:23:28]

So, having got public, public finance done, it must have become quite shocked to see the share price drop significantly.

It was horrible, and, I had put friends and family, I said, 'Oh don't worry, I can get you a ten per cent discount,' or whatever, over float rate. It was pretty embarrassing actually. And, I say to people now, unless you have to, unless you need finance to grow, I wouldn't go public. I found it a pretty unpleasant experience, going round the... I was Chief Executive, I had to spend a week in four going round talking to analysts. That was my job. And I found that highly unproductive. I'd much rather be building the business. But that's what was expected.

So, before the drop, you were, you were the Chairman, but, am I right in saying, you stepped, effectively stepped back into the business in 2001?

I did. I... I... So, 2000, in April 2000 I had sold Safetynet. Netstore had gone public. We had managed to get it away with the same brokers that Safetynet were going to use, and I said, 'You've got to get this one away.' Already the market was collapsing. We went two weeks after Lastminute, and Lastminute got in by the skin of their teeth. The price, share price, started dropping almost immediately, and didn't stop until Christmas virtually. So it was, it was an extremely difficult time. And we, we had a lot of work to do to, to get. just to break even.

[1:25:15]

Mhm. But at that time, and principally yourself but other directors as well, I mean, I say, take advantage might be the wrong word, but, or certainly, certainly, with advantage you take a risk. Did you use that lower share price to in fact take back control of the company that you had built?

I, I did buy more shares. I bought them on the way down. I didn't buy them at fourteen, I was... I mean, the brokers were saying, 'Look Paul, you've got to show support.' And I did, I bought. But unfortunately I was buying them at, 60, 50, 38, and it just kept on going down. I thought it must come back at some point. I thought it would go down to the cash we had in the bank, but it didn't, it carried on going down after that. [laughs] So, I managed to lose. And it, and it hung around that for, for some years. It took a long time to get back up.

Mhm.

I did do one smart thing. I went for lunch with the then... The chief executive of Reuters had gone on to become chairman of another business that, that managed patents for companies, and this was probably about 2002. And we, we both had share prices at fourteen pence, and we both put £10,000 into it, and he managed to triple his money. [laughs] I, I, that £10,000 turned into half a million, when the management, after about eight years, bought out the company. And, so I did rather better than, than he did out of, out of that deal. But we said, this is ridiculous. This is less than the cash value of the business. They think we're just going to, we're just going to piss it all away, and...

Mhm.

And you know, hopefully we've got more sense than that. So, he bought mine, and I bought him, and we both made a bit of money out of it, and we both turned the companies around ultimately. But it was, you know, it was hard work.

[1:27:20]

And talking about that turn round, what do you attribute the turn round to?

Actually, there was one... The big thing that saved Netstore was, a company called QSP, which was, it was based in Newcastle. It was the mainframe accounting system. And, I picked up on a Friday that it was going into receivership. And over the weekend I spoke to them, and, on the Monday morning I spoke to the receivership and they said, 'I'm sorry, we're going to turn it off.' I said, 'I don't think you realise, you can't do that, I mean, the Bank of England uses the system, a number of major airlines use the system, and major power companies use the system.' It was a big, big mainframe accounting system. And, it was only because I was in a position to, I said, 'Look, give me a week. I will guarantee the payroll for that, and I'll come back with an offer when we've done some due diligence on the business.' So, we didn't have much time. It was a week to, to find out whether we should buy it. And we had to negotiate with every supplier. So, what lessons did I learn? First of all, Oracle decided to exploit the situation, and they said we had to buy our licence again. I said, 'But, the licence is already bought, it's in...' He said, 'Ah, but you'll be a different

entity.’ So, I remember negotiating with them. They said they wanted £2 million. I remember getting it for a quarter of a million pounds, but that was quarter of a million pounds that I bitterly resented.

Mhm.

And, I, I underwrote the, the salary payroll, and kept the operation, the, the online operation going. Jon Moulton bought the IPR, and I realise, he was smarter than me, I should have bought the IPR. [laughs] Because he didn’t actually pay a whole bunch for that. But I bought the, the contracts. And that, that gave us about, eight or nine million pounds’ worth of revenue, bearing in mind we were less than two million. So we then had a base to build. And we did build from that base, in 2008 I think it was about 40 or 50 million turnover when, when it was sold to a company called 2e2.

[1:29:38]

That’s quite interesting, certainly for, I say, my ears. So, Netstore had some financial challenges itself, and the way out, one of the ways you managed to pull the company back round before, as you say, you subsequently sold it, was to actually acquire another troubled organisation in financial distress.

Absolutely. Yah. Yah.

So, correct me if I’m wrong, Netstore wasn’t in the greatest financial health.

No, it wasn’t. It wasn’t. It was cash rich, but it had very little revenue, and certainly no profits.

And your answer to it was to buy, [laughs] another troubled organisation.

Yah, it was actually, yah. But it worked. It worked. There was nothing wrong with the, there was nothing wrong with the business. What... They had a massive R&D department, which frankly they couldn’t afford.

Right.

They, the business worked. They didn't need a massive R&D department in my view. And, so we simply bought the contracts and the operations, and, we were able to enhance and, and provide levels of development. But, it didn't even have to be their, their software in my view. We were just about providing an accounting service. And that I think we did a pretty good job on.

[1:31:00]

So, you turned round Netstore, and you subsequently got promoted to FD to become the CEO, so presumably you were stepping back again, were you?

Yah.

Yes. Are you saying that in fact it was the QSP business, or the success of that aspect, that really pushed Netstore back into, into good health?

Yes, absolutely. It was absolutely... When we looked at the revenues, later, those customers, we lost a few, but the core of those grew strongly, and they gave us credibility to win new customers. And that was, that was a turning point for, for Netstore.

[1:31:49]

So, you came in 2001, effectively turned round that company, take the, I say back seat, but you became Chairman or, would you... You relinquished the CEO role in 2003.

Yes.

2005, the company is sold.

The company is sold. So, why was it sold?

Mm.

I can tell you very quickly. So there were a number of challenges. I think, in fair... There were, there were a lot of things. I was told... My wife did a thing, she said it was ill-fated, Netstore. And that was at the back of my mind. We had a number of crises, and, I had gone through a huge operation recruiting a new CEO from outside. I, I looked, and it was a project, to find the best man I could to run Netstore. And I had got a guy called Graham Kingsmill, who had been Chief Executive of a company called SAP in the UK. And he wanted, he said, 'I am Chief Executive of SAP, but, I'm not running SAP. I'm getting instructions from Germany. And I want to do my own thing.' I promised he would have full autonomy to do that. And, I recruited him, and off he went. And, he, in... He had a whole raft of challenges. The worst challenge I think, the last straw as far as I was concerned, was, I'd got a fantastic FD, and he looked through the numbers, and he said to me, 'Paul, we're going to have to re-state the accounts.' Now, as a public company, re-stating the accounts is pretty unpleasant, and it reflects, I thought it reflected badly on me. And I thought, you know what, I've had enough of this. It's... The share prices were still very suppressed, it was still very hard work. Bearing in mind the ridiculous valuations in 2000. Now they look ridiculously cheap. There was a sort of, over-reaction the other way. And so, though the company was beginning to turn around and started to make money and so forth, it still wasn't worth very much. And I thought, do I need this?

Mhm.

And I decided I didn't. And so, I said, why don't we put the business up for sale? And so, Graham said, 'Fine.' And, we went down the operation. And it was ultimately sold to 2e2.

And it was sold at about, about 57 million at that stage.

Yah. And 2e2 ended up doing a huge, they bought up lots and lots of companies, people like Morse, people... Computacenter. Apparently, one pound in fifteen that was spent on IT went through them.

Mhm.

And there was a little unpleasant – a little PS - unpleasant for 2e2. They went into receivership.

Indeed, yes.

And the only part, I was approached, and the only part that had any value was the Netstore part, because it had, one of my key things in all businesses, I like long-term contracted revenues. That's one of my key things. Because, you start the year, you've got 80 per cent of your revenues in, from a, from a long-term contractual revenue, so both Safetynet and Netstore had those characteristics. And I had built Netstore into a sort of, long-term contractual revenue business, and that's exactly what I'm doing with Fortress, which is, which launched last May. Long-term, it's just a great business characteristic I think.

Yes, as you say... So you sold that in 2005, and, to round the circle on that, yes, unfortunately for 2e2, by 2013 they had gone...

Gone down as well.

...down the river as it were.

Yah. They're another company like Guardian who had over-extended themselves.

Yup. Yes. Particularly as, again, a lesson that you had come to in the past, debts, you know, all to do with, I say, gearing as it were, and...

Yes. Indeed.

[1:36:11]

And, as we'll be talking, we'll come back to Fredericks Foundation if we may in a minute, but, whilst we're on business continuity, you've gone back into that side.

I have gone back into it, yeah. I've gone back into it because I think the service levels are abysmal in that sector now. They've become like, big companies, and, they've

forgotten the, the ethos. So, we've got an innovative little approach, and I think we can bring it back to the sort of service levels Safetynet used, was, was famous for.

Mhm.

And, it's, we're pushing an open door I think.

Mhm. So, what we're talking about is Fortress Availability Services Limited, and you're the Chairman there.

I'm the Chairman, yah.

And Paul, is it Paul Luke[?], and Andrew Lawton is...

Andrew Lawton there as Chief Executive. And he does all the heavy lifting for it, yes.

Right, OK. So back into the business that you know so well.

So go back into the business you know so well.

I have to say, I mean, with all the issues that we're hearing in the press, whether it be TSB recently, whether it be recent messes at BA, British Airways, or, or the NHS, you do wonder what's happening in the continuity space.

Absolutely right. I, I look at that, and, we of course are more dependent on technology than ever before. We've got a lot of legacy systems which are ill-protected, and the people who have the skills are sort of disappearing. We've got a lot of vulnerable business. And that's before we're seeing cyberattacks.

Mhm.

So I think, business continuity is going to evolve into... People don't care *why* it goes down, they don't care if it's a snow storm, as happened in Scotland, a lot of people

couldn't get into it, or if it's a fire, or if it's a cyberattack. I think the, the nature of threats has changed over the years, and I think, a new approach is, is demanded, and that's what Fortress is going to provide.

[1:38:16]

So, let's talk about Fredericks Foundation and how that came about.

[laughs] Well, I always thought that I'd try and do something useful. So, you've heard, there's a lot on the history, getting the funding for Safetynet together at the beginning was quite hard. When I tried to raise quarter of a million, despite what I perceived then as my brilliance and background, there was nobody who wanted to put quarter of a million pounds [laughs] into it. And, had we not come up with an innovative idea, we wouldn't have got it off the ground. And that made quite a mark on me. I, I... I thought, gosh, if I can't get funding, what happens if you've got no social infrastructure, you don't know an accountant or you don't know a, a lawyer? What happens if you're at the bottom of the tree, and you want to start a business? It's really quite hard to get hold of credit when you need it. And so, I thought, what do I like? I love business. I particularly love small business, because I think that's where everyone matters. I think in a big company, nobody matters. Often the chief executive is replaceable quite easily.

Mhm.

And so, I wanted to encourage small business, and I wanted to give those people who didn't get access to credit, I wanted to give them a chance. Those people who have got spark, who can't, can't get started. That's who I want to help. And so, that's why I started Fredericks Foundation. And, [laughs] I've learnt a lot since we kicked off that, not everyone's as honest as we might hope. Our very first client defaulted and disappeared. [laughs] And, before, he was an ex-drug dealer who had come out of jail, and we wanted to give him a chance. We joked we'd never see him again, and we never did. [laughs]

[1:40:15]

Again, for our listeners, the Fredericks Foundation has, has a targeted clientele as it were.

Yah, it does.

And so perhaps, what groups would you categorise...?

I... We are right... If Fredericks doesn't lend to you, you're probably not going to get a loan. We are, the position we've taken is, last chance saloon.

Mhm.

So we take the very most risky, that nobody else will take. To borrow a Bank of England phrase, we're probably lender of last resort. And, we relish that, but it is, it's a very difficult space to be in. Out of 100 applications that come in to us, 93 will be rejected. So only seven will go through.

Mhm.

Partly that's deliberate. We, we ask them to do a lot of stuff, and want a full business plan. We want a survival budget, we want a cash flow, we want their credit reports. And we don't mind if they've got county court judgements against them, that's not necessarily the problem. So by an inch, all our clients have got terrible credit. But we want them to be completely honest with us, and we want to know that they've got a plan to sort those issues out. And if they have, and if they've got a viable business plan, and if we think they're the person to execute on that plan, we will back them. And if they haven't, we won't. So although we're a charity, we're quite hardnosed.

[1:41:55]

Mhm. And some of the groups I understand you work with, well single parents, single mums.

Indeed.

The disabled; as you say, ex-offenders as well.

Yup.

And recently, well in 2017, you set up what's a separate fund for disadvantaged women as well.

Yup. We've always supported women. Why? Two reasons. One, they're better at paying back, and two, because of their bigger social impact, i.e., it's the woman who keeps the family together. And we've been slowly getting our percentages up. But women are more reluctant to borrow, so, we would have to have more enquiries from women to get a 50 per cent thing. And then my chief executive said, 'Well why don't we just have a women's fund?' He had run women's funds in, in Africa for the Salvation Army. I said, 'Yeah, why not?' And, so, we launched that last year. And it's been really successful. So, we've got lots of quite interesting women's businesses going, going under way. And, even if they don't borrow from us, we think we give them a, a great service. We help them with their business plan, we try to support people through, through the, through the process.

[1:43:13]

So it's not just loans that you're offering as part of Fredericks?

No, we try to provide a mentor for all the people. They get questioned pretty severely through the whole, whole process. It typically takes, from very first enquiry to receiving the money, typically takes a couple of months. So it's as rigorous as, you know, a £50,000 or £100,00 loan, but it's for £5,000 or £10,000. Our average loan for the first sixteen years or so was, was somewhere around £5,000. Now we're doing slightly bigger loans, the average is now about £9,000.

Right, OK. And, as I understand it, Fredericks have assisted, well, invested in over 1300 businesses.

Well actually it's over 1600 businesses now. It's, it's a lot. And, what we're particularly proud of is, we think that about 50 per cent of those are still trading.

Now, given that these are the most difficult, that's pretty similar to everyday businesses.

Yes.

And it's better than say, restaurants in London, where after five years only one in ten might be trading. So, we're quite pleased with our survival rate.

[1:44:36]

And the funding for Fredericks, initially, was that something that you put in with some of your, your rewards from your, your other entrepreneurial efforts?

I did indeed, yes. Yah. It just saved a lot of pissing around. For the first ten years I put in about, quarter of a million pounds, and I gave the offices for free, and, also, anyone I invested in I asked them to put one per cent of their profits into, into Fredericks. So, you know, yeah, there was a glorious time before Netstore got sold where we, we managed to get £30,000, or £40,000, in, but, that was only for one year. Before that it was...

Right. So that's one thing you do today isn't it, one per cent of the businesses that you're involved....

Yah.

One per cent of the profits from the business you're involved in, you plough back into, into Fredericks.

Into Fredericks, yah, that's, that's a major source of funding for us. Because it's completely unencumbered.

Yes.

We can use it for anything we want.

And, yes, funding, well, north of five million as well to businesses...

That's right, north of five million. And, we are expanding quite quickly. We, we expect we'll get close to three-quarters of a million loans out this year, and I think, will be north of a million loans next year. So we've decided, we're changing, we're upping our game, and we're providing a service across the UK. Whereas, we used to just provide the sort of, Home Counties, and a few specialist areas.

[1:46:16]

This area is referred to as microfinance.

Yah.

And, I mean worldwide... And I know you've been compared to this gentleman as well as the UK's version, a kind of, Muhammad Yunus.

Yeah, but... That would be grossly flattering. [laughs]

Right, OK.

Muhammad Yunus has had a much bigger impact than I have.

An individual who, who won the Nobel Peace Prize in this, in this area.

Yup.

So, it's a little surprising that, not talking about Fredericks, but microfinancing has got its critics as well. You know, certain economists, and, I understand even the Guardian ran an article some, a couple of years ago about microfinance. What would you say to those types of...

Criticism.

...criticisms on, you know, talk about disruption and...?

Well first of all, what Muhammad Yunus has achieved in Bangladesh is quite extraordinary, because not only does he provide microfinance, as part of the microfinance he has done a lot of training, he's, every village in Bangladesh has a woman with a phone, and that saved millions – well, not millions of lives, saved hundreds of lives, because people can react, and they can talk, they know, they're informed about floods and how to deal with, with those. So, Muhammad Yunus and his microfinance has had an extraordinarily large impact, would be my first impression.

Mm.

But, any successful initiative, other people get into, and, a lot of the big banks were keen to get involved in it, because, they could see they could make a fast buck. And some people have been immoral in this, in this area. It's a very... If you're poor, this is your one chance. And, some of the criticisms I've read is that, people who are starving are still paying their, their money. But you can understand that, because if they don't repay, they'll never ever get a loan again.

Mhm.

And instead of waiving the loans, and instead of saying, 'OK, you can't repay,' they're accepting them.

Yes.

Now, my view is that, we are dealing with some of the most vulnerable people. I'm convinced that giving people a loan is much better than giving them a grant. And I'll just give you a for instance. We tried giving people grants, and their attitude to their business was, if it works, fine; if it doesn't work, well it's not the end of the world, because they've had a grant. But if it's a loan, they think, well gosh, how am I going to pay it back? Now here's where the moral come in. Because they're the most vulnerable, they're more prone to disease, they're more fragile, they've got less reserves. Things can go wrong. And if it fails, if something happens, they sometimes

can't pay back. They see... I, I joked at one point, there was a, there was a time about three years ago where we had a huge incidence of people getting ill, seriously ill, some with cancer, or Crohn's disease, or, whatever. And I joked, Christ, as soon as we give them a loan, they seem to get ill. I think we should stop giving loans. [laughs] Because it, it got, it got so bad at one point. And, we say ourselves, if they're really ill, should we be asking for them to repay? We don't mind so long as they tell us, and they can validate that they're ill, that's fine, and, we write off, we'll write off the loan. If they scarp or not in contact, we, now, we're quite robust. We will pursue them vigorously. But, that, that's from experience. I remember the very first time, [laughs] we got a phone call, and, they said, 'Oh, I'm phoning on behalf of someone, your client has died.' Oh God, that's terrible. Immediately started thinking how we'd write it off. And, someone who had been around a little longer than us said, 'Hold on a second. We have a procedure for this.' I said, 'Do we?' He said, 'Yes. Always ask for the death certificate.' So I said, 'Oh OK. Well, we'll phone back.' Of course there was no death certificate. [laughs] They hadn't died, they just fancied taking the money. And it was a, a good week. And that was a big lesson for me. [laughs]

Made a miraculous recovery [inaud].

They made a miraculous... Yeah, the Lazarus loan. [laughs]

[1:50:40]

Yes, yes. And I suppose, you know, when you set about a lot of things, not just microfinance, if you asked two economists about the same thing, you'll come up with two different answers, so you...

You will.

So you get some who... I mean, it's very positive what Fredericks has achieved thus far and continue to do so.

I tell you what's quite interesting. When I was at the very beginning, and, and Muhammad Yunus got his prize, people said, well, do we really need it in this

country? Why do we need it when we've got, we've got the welfare state, and, and so forth. People I see don't want to be on benefits. They, they want to be independent, and, they want to have hope. And this is a chance to give people hope.

Yes.

That's... We're providing hope I think. That's a key difference. Also, we happen to be saving, every 100 businesses we get started, we reckon we save the Government something like £1.3 million through, through saved benefits.

Yup.

So, it's tremendously positive for the clients. The truth is, most of them run microbusinesses, they're never going to run anything else, but they're doing something they love, they're doing some craft that they love, and, I think, how, how worthy is that?

[1:52:02]

Earlier on you were saying that, unfortunately nothing to do with, with Fredericks, but, you were talking about restaurants that generally fail.

Mm.

But, my understanding is that you have invested, was it through Fredericks or independently?

It was personally. I'll tell you... That's Dans le Noir.

Yes, Dans le Noir.

Yes. So, a few years ago, oh gosh, it's quite a few years ago now, ten years ago, the chap who runs Safetynet France said, 'Oh I've just been to a restaurant in the dark in Paris, called Dans le Noir.' He said, 'It would be great for Fredericks.' And my idea was to go over to Paris and say, 'Look, I'd like to take your concept, I'd like to launch

it into London, and call it Fredericks.’ So I went over to Paris, I had the experience. Arranged a meeting with the guy who had set it up, and said, ‘Look, I’d like to call it Fredericks, and it would do really well,’ because we had an agreement with RNIB, with the blind... I just thought it would be great. He said, ‘Well Paul, I’ve already registered the name in London, and I want to build a brand of my own called Dans le Noir, but I’ve got no friend in London. Could you help me get started in London?’ And, so that’s what I did. [laughs] Ironically, it’s been one of our, my more successful investments. It’s now, delivers a nice, reliable, two, three hundred thousand pounds profit ever year.

Brilliant. Again, for our listeners, I’ve had the benefit of looking into Dans le Noir. I’ve yet unfortunately to go there, but it sounds a fascinating culinary experience. Perhaps you could briefly explain what the concept of the restaurant is.

So the concept of the restaurant is, that, you will go into the restaurant, and you will be, you will eat in absolute darkness. To facilitate that, you will be taken through a number of curtains by a blind waiter, who will be the man or woman who serves you. And the irony is that he is the one who is comfortable in the space, and you are the one who is uncomfortable. You can’t see a thing. So, you build a really close relationship with that waiter or waitress, because you are so dependent on them. And, it just gives a tiny glimpse into, what’s it like to be blind. And it also means that those blind waiters... And incidentally, I was just with a couple the other day, Roberto and... The waiters that we’ve had have been with us since opening. The core. Because they love the job, it’s interesting, and it’s rewarding, and they feel valued. And so, completely, that... We did want to help blind people, that was always an objective. It wasn’t aimed, we weren’t really aiming for it to be particularly profitable. Our aim was to, to try and, try and help as many blind people as possible. And we employ a lot of blind people, we employ 30 blind people.

Mhm. And that’s at your London premises?

In our London premises. So, so the cooking staff aren’t blind, but all the waiting staff are, are blind. And, and because of its success, there’s quite a few who, who operate out of that.

[1:55:22]

And, you've mentioned, and I know you're involved in lots of businesses, so, the moneys that you have accumulated through, say, sales of, Safetynet and Netstore, you plough these back into other businesses, is that right?

Absolutely.

And is that primarily... In my introduction I talked about Frank Investments.

Yup.

Is that your primary investment vehicle, or is it that plus any other businesses that...?

So Frank Investments is a, we invest in the public market.

Yup.

Only. We don't do any private investments.

Right.

All the investments I've made, first rule is, they should be EIS investments, because that protects you, and, I end up investing about, between half a million, a million pounds a year. I don't know why, I just love it.

Right, OK.

I, I'm somewhat hooked on investing. [laughs]

Mhm.

I... Yes, I really enjoy, I really enjoy looking at the, at young companies and helping them, chatting to them. I don't sit on the board, because it's boring. [laughs] But I

do have, all my investments I do try to have a close relationship with the chief executive.

Right. And if you could pick out one that you've invested in that, well, you've taken particular pleasure in investing in, and has delivered for you as...?

Yah. Yah, I was just speaking to one this morning, a company called Bluesource[?]. Two salesmen. I gave them £70,000 in 2000. The idea they had didn't work, and so they were down to the last £10,000. And, I've just spoken to them. Their first half year they've turned over eleven and a half million. They've got an operation in the States, the UK; they employ, I don't know, about 130, 140 people. And, they're doing very well. It's great to see two sales guys get up and do their own, do their own thing. And, and they've done, they've done pretty well.

And they're a technology company as well?

They are. So, they, they, many of the big legal firms, they run their, their messaging systems.

Mhm.

So, very... Ended up being very familiar, familiar territory for me.

[1:57:54]

Mhm. What would you say is your, the proudest moment of your career?

Gosh. [pause] It's very, very hard. My... I love getting deals. I think that, when we got our very first deal with Safetynet, I think, that was probably the proudest moment, because I felt, we're on the way.

Mhm.

And, I was terribly excited. My heart was beating. And I, every time I get a deal, I get a sort of, surge. But I think, because I was pretty much committed on that, when that first one came in, it was a relief and, and an excitement.

Mhm.

So, I think, that was, that was probably, that was probably my proudest moment, because I thought, right, we're on the way, we've got a real, we've got a real business.

[1:58:53]

And with your distinguished career, what would you do differently if you had your time again?

Oh gosh. [laughs] I wouldn't take Netstore public. I would, if I was going to do it again, I would keep it as a private company. And that would have been a successful company if I, if I, I'd have kept it and kept it under my control. What I've realised is, I'm, I'm no genius, and what I say to a lot of people is, you only have to halfway competent. I think I'm halfway competent. I think I can do a reasonable job. I've seen a lot of people I've invested who I've got great regard for, who are much smarter than me academically, miss some of the key points on the commercial world, and, I realise not everyone's terribly commercial, or terribly creative, and, or terribly determined. And, I think you do need all of those characteristics if you're going to be successful. And just to bring myself down, I read a report from Sydney University that said, luck is a major factor in everyone's success, when they'd done a review. So I think there's lots of people who could be successful, some who have been, have had luck on their side, and I certainly did. I mean the IRA bombing certainly was right, we launched at a time when there was no service around. Margaret Thatcher had just come in and rolled back some of the problems of starting businesses. We were at the right place at the right time. It's not, it's not down to any great genius. Not everyone can do it, but certainly, it wasn't my unique skill or Paul's unique skill. We just happened to be in the right place I think.

[2:00:44]

I've often thought, because, the word luck is, to my mind, what, well perhaps misunderstood, or, or used a lot, but what's your, how would you define luck?

I'd define luck as having, realising opportunities that are presented to you.

Yes, that's a good thing.

So, you, you've got to put your head over the parapet, to receive it. Sitting down saying, 'I want to, I want to be a millionaire,' it's, it's fine, but you're not going to be a millionaire unless you give yourself the opportunity, and luck is that opportunity being translated into reality.

[2:01:21]

Mhm. I'm conscious you've won a number of awards which I highlighted at the, the outset. The Queen's Award for Enterprise Promotion. And you're a Beacon Fellow as well.

Yes, and I'm a trustee on Beacon too.

Mhm.

What Beacon does is, it tries to recognise philanthropy and to promote philanthropy. Something I feel quite strongly about. If you make a few bob, I think it's really important to try and put something back into society, through time and money. And, I think the old Victorian ethic of helping has, and public service, has, has gone. People seem to be for themselves. And I, anything we can do to try and promote that, I think is a good thing.

Mhm. And, you believe that's at the corporate level as well?

Oh absolutely.

Yeah.

Absolutely. I don't believe that the responsibility of a chief executive is only to make money for a shareholder. I think that's incredibly short-sighted, and has led to some awful consequences, like Bhopal, or, chief executives being told they've got to just do this for, for the shareholders. And if it damages the environment, or damages animals, or damages people, they shouldn't do it.

Mhm.

And, and, it's incredibly short-sighted. Fortunately most chief executives have a moral compass, but those who don't have such a strong moral compass, it's easy for them to do the wrong thing, and I, I think that's lamentable.

[2:03:00]

And I noticed that, in a lecture I think you gave at Liverpool University, talking about corporations who, who in your words undermine capitalism by not serving society.

Yes.

I was curious, say, an example of that, what you mean by that.

So, taking big, big agricultures, or big farming companies, I think, the way in which we've industrialised animals, and humans. I mean, here's something that everyone accepts, they call it human resources.

Mhm.

It used to be personnel. It used... It used to be people. And they're now numbers and resources.

Mhm.

I think that's part of the dehumanisation that big companies have, have done. And what we are doing, for example one of the things I'm campaigning with at the moment, is, factory farming. I think it's obscene.

Mhm.

And I think not only is it awful for animals, it's awful for us. On every... It's awful for the environment, it's awful for the food we eat. A factory farmed steak has about half of the omega 3s that an ordinary, a grass-fed steak has. It's just, it's just not as good for us. We're feeding, we're feeding ourselves junk. And we're making animals incredibly miserable in the process. So, a cow who never eats grass in a field, that can't be right, can it?

Mm, no. No.

So, so that's the kind of thing I think is, is wrong, and it's being done for profit, and, it gives capitalism a bad name. I also think, I never paid my, I was never the highest paid person in the organisation, and I think chief executives who pay themselves huge sums, huge multiples. I think about, ten times the average salary, must be a maximum. They're not. Twenty times, thirty times, forty times better than the average. Clearly. So they shouldn't be paid that much more.

[2:05:05]

Mm Thank you for explaining that to me. Finally moving back, say, to the IT industry, what do you think are the biggest challenges and opportunities in the next ten years would you say for the IT industry?

Well, the IT industry has got used to Moore's law, and, from what I understand, we're not going to have that luxury of ever doubling of power and halving of size. We're reaching the limits of that. There may be some extensions, I was reading the other day, by super cooling say, but I think we're getting closer. So, ever cheaper technology which has helped us over the last 30 years, it's probably, that's, that's going to come to an end.

Mhm.

Also, clearly AI is going to start taking jobs away in the professions. I mean in the medical profession, why do you need a doctor?

Mhm.

And, so, we're going to face some big challenges over the coming years, and it's all being driven by technology. When I was young, technology was just a small part of society. Now technology, it's every part of society, in every aspect. So I think there are some challenges there. But more prosaically, I invested in a little company that provides lollipops in a 3D thing, you photograph your head, and it makes an image of you, and the model was, could be sold through social media, and promoted. It sells for about £8. All social media were demanding £6 out of the £8. Now...

Right.

[laughs] That's not sustainable. So they clearly had to change their business model. Which they've done. But I think, that can kill the goose. If technology gets greedy, which I think it is doing, large successful technology companies carry on like that, we're going to face an antitrust moment as we had in the Nineties and, early, early nineteenth century.

[2:07:10]

And finally, what advice would you give someone entering the IT industry today?

So, if I was in technology and embarking on my business career, I think I'd go and work for a large technology company, simply so you understand how commercial technology works. The academic world is not quite the same as the commercial world. And then I would be looking really hard for opportunities to start my own business, because, I believe working for yourself is so much more rewarding than working for a big company. Even working for a small company is much more rewarding than working for a big company, because, as I said, your input matters.

Well thank you very much Paul for giving up your time today to speak to Archives of IT. It's been fascinating. Your ideas of what entrepreneurs should have, spark,

perseverance, determined, and keep going, I think we can all learn a lot from that in life. I wish you all the best with your continuing investments, and, and particular success to Fredericks, you're doing a great job in society. So, Paul, thank you very much.

Jonathan, thank you.

Thank you.

[End of Interview]