First. Principles.
The eighth KnowledgeNow conference focused on “First. Principles.” a way of thinking that challenges accepted wisdom in order to win in a world of rapid and disruptive change.

Over the course of two days, Apax’s Operational Excellence Practice (“OEP”) hosted executives from across the portfolio as well as leading speakers to address this topic from a range of angles.

The event is designed to combine open knowledge sharing between portfolio companies with the tools and experience of the OEP to generate actionable insights.
Mitch Truwit, Co-CEO of Apax Partners, outlined how the Firm had turned first principles thinking in on itself by recently defining the company’s values.

Apax conducted internal and external research to build a picture of how employees and external stakeholders perceived its culture.

Four values emerged that encapsulate the essence of the Firm and guide decision-making:

- **We choose right over easy**: A duty to all stakeholders to treat them with respect and to “do the right thing”
- **We have impact through insight and tenacity**: An entrepreneurial spirit to seek out differentiated opportunities and perspectives
- **We succeed as one global team**: Working collaboratively across teams and geographies to achieve optimal results
- **We learn, adapt and grow**: Seeking out and learning from diverse perspectives to improve continuously
Perspectives on disruption

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6 Sir Ronald Cohen The impact investment revolution
But why? Getting back to first principles thinking

**Tim Urban**

Blogger and author Tim Urban compared 100,000 years of human history to a 500-page book. Not much happens for 499 pages, then on page 500 there is an explosion of human progress.

As communications, technology and commerce shrink the world, this pace of change is making traditional ways of thinking increasingly redundant. He argues that we cannot hope to flourish in this new world by relying on the assumptions of the past. Instead we need to go back to first principles by breaking issues down to their most simple parts. Urban likened the process to the way a toddler learns to reason by constantly asking, “but why?”.

The implications for business, and especially for leaders, are clear and present: the ‘yes’ men of corporate yesteryear should be rapidly replaced by ‘why’ men, who constantly question accepted reasoning.

“If you’re not reasoning from first principles, no one in the company is. We have to trust ourselves and have disdain for conventional wisdom.”

**Tim Urban**

waitbutwhy.com
According to Sir Ronald Cohen, co-founder of Apax Partners and a pioneer in impact investing, the next generation of business leaders need to harness the creative power of capitalism to help solve society’s wider problems.

For Cohen, there are three primary drivers of this change:

1. The next generation of leaders are more values-driven.
2. Institutional investors are demanding change.
3. Governments can no longer afford to provide all the solutions.

The ABC of impact

<table>
<thead>
<tr>
<th>A</th>
<th>Act to avoid harm e.g. decreasing carbon footprint or paying an appropriate wage – to mitigate reputational or operational risk.</th>
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<tbody>
<tr>
<td>B</td>
<td>Benefit stakeholders e.g. proactively upskilling employees, or selling products that support good health or educational outcomes – in pursuit of long-term financial out-performance.</td>
</tr>
<tr>
<td>C</td>
<td>Contribute to solutions e.g. enabling an otherwise undeserved population to achieve good health or educational outcomes, or hiring and skilling formerly unemployed individuals.</td>
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How far different businesses – and their investors – go in their impact management practice depends on their intentions, constraints and capabilities.

Within a decade, I believe we’ll see every large company publish a set of audited impact accounts alongside their regular financial accounts.

Sir Ronald Cohen
Co-founder of Apax Partners
Perspectives on leadership

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10 James Comey Building the leaders of tomorrow

12 YSC The Alignment-leadership paradox
James Comey was appointed to lead the Federal Bureau of Investigation by President Barack Obama in 2013. He presided over the organization during a turbulent time for the country until 2017, when he was relieved of his duties by President Donald Trump. Prior to the FBI, Comey held a variety of senior public service and private roles.

Comey found out he had been sacked as Director of the FBI on a television screen while he addressed potential young recruits. After several weeks ruminating about the experience, he resolved to turn it into something positive: “I’m so worried about the picture of leadership, not just in our national political life, but our private sector, non-profits and sports. There’s so much lying and unethical behavior, I’m worried that young people don’t have a picture of what it should be.”

He has since travelled the country talking to the leaders of tomorrow about a more noble idea of leadership based on first principles. In an era dominated by ‘fake news’ and short-termism, the ability to carefully consider the longer-term implications of decisions based on first principles reasoning and sound ethics is more important than ever. A true leader, according to Comey, should unpick every decision and consider the following questions:

- What are the values of this institution?
- What is in the long-term best interest of the enterprise that I lead?
- What are the things that are bigger than I am?
- What are the external reference points, whether it’s logic, tradition or philosophy?

To be a visionary leader you have to be four things: tough and kind, confident and humble. If you have those attributes, the rest will come.

James Comey
Former Director, Federal Bureau of Investigation
Rarely is proper scientific rigor dedicated to the subject of building the management team you need to pursue your future strategy. Eric Pliner and Jill Hill from leadership consultancy YSC outlined a more rigorous approach to assessment and measurement as a way of driving future success.

Five principles to frame leadership thinking:

1. Leadership is about change
2. Context always matters
3. Leadership can be developed
4. Leadership strategy is a business imperative
5. Focus on the future

Journeys of transformation

In this section

14 ThoughtWorks Aligning culture to margin
15 Candela The under-managed enterprise
16 MATCHESFASHION.COM Putting the customer at the center of expansion
17 Acelity IT & outsourcing
Aligning culture to margin

ThoughtWorks

In a world being transformed by tech, established businesses can be disadvantaged by legacy systems, an inability to attract the best young engineers and a top-down culture that prevents rapid change.

ThoughtWorks, an Apax Funds’ portfolio company, helps these companies plug that gap by transforming the systems that will allow them to compete and win.

The company has embarked on its own transformation journey to improve profitability while maintaining its own unique culture of openness and challenge. Central to this program is trust, as CEO Xiao Guo explains: “The only reason we’ll be able to accomplish all of this is because we empower people and because we collaborate. We trust people. We know they are smart.”

With this in mind, internal teams are empowered to find solutions and deliver results. They are augmented on specific projects by members of the OEP who have, in turn, connected the firm to other Apax portfolio companies and preferred suppliers.

The under-managed enterprise

Geoffrey Crouse, CEO of Candela an Apax Funds’ portfolio company, stated there is an “epidemic of under-management throughout industry…that is destroying tons of value”. He should know, he’s seen more than his fair share of turnarounds.

He shared eight turnaround tips for the under-managed business:

1. Know what you’re trying to achieve and communicate it.
2. Assess and change your people where necessary.
3. Give managers and employees the tools and training to do their job.
4. Get out of your office and talk to people, because the solutions are out there.
5. Focus on quality and put the metrics in place to measure it.
6. Drive management to every single layer in the organization if you want to get something done. It doesn’t stop at the top, it starts there.
7. Look at turnover levels first – if people are leaving, they’re leaving for a reason.
8. Fix the culture.

Under-management is a vicious cycle

Managing on autopilot

Manager (& others) pulled into firefighting mode

Things get “back to normal”

Problems inevitably blow up

False sense of security

Small problems have room to fester & grow

Under-the-managed enterprise

In a world being transformed by tech, established businesses can be disadvantaged by legacy systems, an inability to attract the best young engineers and a top-down culture that prevents rapid change.

Revenue growth FY 2017–2018

21%

EBITDA margin improvement in first 12 months of Apax Funds ownership

300bps

Xiao Guo CEO, ThoughtWorks

Geoffrey Crouse CEO, Candela

Apax Partners
Since acquisition by the Apax Funds in 2017, MATCHESFASHION.COM has opened a new retail concept at 5 Carlos Place in London that offers customers a unique retail experience combined with exclusive events. This allows the company to connect with its customers in a deep and authentic way, thereby enhancing engagement across both the digital and physical channels.

For Ulric, this customer immersion is crucial: “Because we never know which customers will become one of the very top spenders, we need to take the same care with everyone. We need to be good all the time.”

The platform has evolved materially, simultaneously creating opportunity and a need to develop a consistent fabric of values and principles.

IT & outsourcing

A consortium led by the Apax Funds acquired Acelity in 2011. The company recruited CIO Kyle Seiter in 2017 to improve its IT function in order to support future growth.

Having surveyed his internal clients, Seiter came to the conclusion that Acelity needed to outsource virtually its entire IT capability. With significant support from the Apax OEP throughout the scoping and tender process, a c.US$40m contract was signed in January 2018. This has materially reduced costs, improved the net promoter score, and helped create an IT function that is now a true strategic partner for the business.

Seiter’s eight take-aways for successful IT outsourcing:

1. Make sure stakeholders understand your vision and strategy.
2. Build a solid vendor management team.
3. Don’t cut too deep.
4. Tailor the outsourcing opportunity to your culture.
5. Don’t expect a miracle cure on day one.
6. Be mindful of the wider impact of outsourcing.
7. Lean on the Apax OEP.

MATCHESFASHION.COM was founded as a single shop in London in 1987 and today is a global online luxury retailer with nearly US$400m annual sales. CEO Ulric Jerome spoke about the challenges of building global scale while ensuring that every customer has a luxury experience.
### Conference speakers

- **David Booth**
  - Chief Commercial Officer, Cardinal Path
- **Sr Ronald Cohen**
  - Co-founder, Apax Partners
- **James Comvey**
  - Former Director, Federal Bureau of Investigation
- **Geoffrey Grouse**
  - CEO, Cardinal
- **Erik Cummins**
  - CFO, ThoughtWorks
- **Xiao Guo**
  - CEO, ThoughtWorks
- **Jeff Hill**
  - Head of Private Equity (Americas), YSC Consulting
- **Ulf Eric Jerome**
  - CEO, MATCHESFASHION.COM
- **Blasmarck Lepe**
  - CEO, Violane
- **Eric Pliner**
  - Managing Director, YSC Consulting
- **Kyle Seiter**
  - CAO, Apax
- **Tim Urban**
  - Founder, wardourhats.com

### Conference attendees

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Andrew Griffith</td>
<td>Group Finance Director, Safetykleen Europe</td>
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<tr>
<td>Trevor Gruenewald</td>
<td>President and CEO, ECO Software Solutions</td>
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<tr>
<td>Marty Guino</td>
<td>Operating Executive, EMEA Practice Leader, Apax Partners</td>
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<tr>
<td>Zachary Gut</td>
<td>Principal, Apax Digital</td>
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<tr>
<td>Sarah Hagan</td>
<td>CPO, ECO Software Solutions</td>
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<tr>
<td>Anand Durve</td>
<td>Principal, Apax Digital</td>
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<tr>
<td>Steven Dey</td>
<td>Operating Advisor, Operations &amp; Logistics, Apax Partners</td>
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<tr>
<td>Dave Eckley</td>
<td>Chief Operating Officer, Cole Haan</td>
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<tr>
<td>Ron Edwards</td>
<td>Managing Director, Apax Partners</td>
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<tr>
<td>Joseph Fanning</td>
<td>Transaction Partner, EY</td>
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<tr>
<td>Andrew Foyey</td>
<td>Experience Strategy Director, TandemSeven, Genpact</td>
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<td>Dave Evans</td>
<td>Principal, Apax Partners</td>
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<tr>
<td>Eric Frank</td>
<td>CEO, Tedge Services LLC</td>
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<td>Jayme Fuller</td>
<td>Operating Advisor, ECO Software Solutions, Apax Partners</td>
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<tr>
<td>Charles Honnivill</td>
<td>Chief Financial Officer, Apax Partners</td>
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<tr>
<td>Dawne Hu</td>
<td>Vice President, Apax Partners</td>
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<td>Nick Izopan</td>
<td>Operating Advisor, ECO Software Solutions, Apax Partners</td>
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<tr>
<td>Michael Jacksons</td>
<td>CBO, Duck Creek Technologies</td>
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<td>Kees Jans</td>
<td>Director ICT, Violane</td>
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<tr>
<td>Sanjeev Malik</td>
<td>CPO, Global Head - Large Deals and Strategies, Investor Relations</td>
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<tr>
<td>Matt Mandossi</td>
<td>Chief Information Officer, Ideal Protein</td>
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<tr>
<td>Bob Mccausley</td>
<td>Managing Director, Apax Partners</td>
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<tr>
<td>Garrett Reimann</td>
<td>Operating Advisor, Apax Digital</td>
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<tr>
<td>Tony Mattison</td>
<td>Chief Information Officer, Assured Partners, Inc.</td>
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<tr>
<td>Philippe Mauvy</td>
<td>CEO, Safetykleen Europe</td>
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<td>Michael McCaghney</td>
<td>VP Sales, TandemSeven, Genpact</td>
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<tr>
<td>Sean McCarty</td>
<td>EVP, Global Operations, Radial</td>
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<td>Richard McIntosh</td>
<td>Managing Director, Procusa Consulting</td>
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<tr>
<td>Heather McLeod</td>
<td>VP of Marketing, Authority Brands</td>
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<td>Brendan McVeigh</td>
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<td>Jamee Michael</td>
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<td>Nishant Nayyar</td>
<td>Senior Advisor, Apax Partners</td>
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<td>Jim Niska</td>
<td>CEO, Solto</td>
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<td>Dan O’Keeffe</td>
<td>Managing Director, Apax Digital</td>
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<tr>
<td>Stephen Pannell</td>
<td>Director, Advisor Group</td>
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<tr>
<td>Neil Patel</td>
<td>IT Director, Apax Partners</td>
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<tr>
<td>Alex Pellegrini</td>
<td>Partner, Apax Partners</td>
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<tr>
<td>Sam Petersen</td>
<td>CTO, Boats Group</td>
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<tr>
<td>Tom Poole</td>
<td>Manager, Macquarie</td>
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<tr>
<td>Joe Porte</td>
<td>Chief Executive Officer, KEPRO</td>
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<tr>
<td>Fred Princenti</td>
<td>BPO &amp; CFO, One Call</td>
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<tr>
<td>Eric Rauhala</td>
<td>SVP, Design Solutions</td>
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<td>Marcus Pande</td>
<td>Operating Advisor, Apax Digital</td>
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<td>Jonathan Wright</td>
<td>Director, Partner Group</td>
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<td>Jason Wright</td>
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<td>David Wright</td>
<td>Director, Partner Group</td>
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<tr>
<td>Susan Wright</td>
<td>Partner, Apax Partners</td>
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<tr>
<td>Mark Zubke</td>
<td>Partner, Apax Partners</td>
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The Operational Excellence Team

Apax Partners

<table>
<thead>
<tr>
<th>Core Functional Verticals</th>
<th>Digital Acceleration</th>
<th>Margin Expansion</th>
<th>Technology &amp; Operations</th>
<th>Carve-Outs &amp; Integration</th>
<th>Sales &amp; Go-to-Market</th>
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*Centers of Excellence*

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<th>Tools and Tech</th>
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**Core Partners**

**Seth Brody**
Partner, Global Head of the Operational Excellence Practice
Prior Professional Experience:
- Razorgator, Orbitz Worldwide, priceline, Netmarket
OEP Areas:
- Digital Acceleration, Human Capital, ESG, KnowledgeNow

**Marty Guinoo**
Operating Executive & EMEA Practice Leader
Prior Professional Experience:
- ICON Parking Systems, Sentient Jet, Starwood Hotels, SH&B Consulting
OEP Areas:
- Margin Expansion, Carve-Outs & Integration, Operational Finance, Portfolio Cross-Sell
Joined Apax 2016. Based in London.

**Jonathan Simmons**
Operating Executive & Digital Practice Leader
Prior Professional Experience:
- ClearSearch Media (founder), Walkaway Media (founder), priceline
OEP Areas:
- Digital Acceleration

**Will Harman**
Operating Executive, Global Supply Chain
Prior Professional Experience:
- PA Consulting, Jaguar Cars
OEP Areas:
- Margin Expansion, Vendor Management, Carve-Outs & Integration

**Jessica Kuess**
Vice President, Digital
Prior Professional Experience:
- Ralph Lauren, Citibank
OEP Areas:
- Digital Acceleration, Human Capital

**David Burgess**
Vice President, Search Engine Technologies
Prior Professional Experience:
- AYIMA (co-founder), Verizon (consultant)
OEP Areas:
- Digital Acceleration

**Jaimee Michaud**
Vice President, Digital Analytics
Prior Professional Experience:
- Shutterfly, UBS
OEP Areas:
- Digital Acceleration

**Laef Olson**
Operating Advisor, Technology Practice Leader
Prior Professional Experience:
- Oracle, RightNow Technologies, Travelport, Cars.com
OEP Areas:
- Technology & Operations

**Ellen de Kreij**
Operating Advisor, Sustainability
Prior Professional Experience:
- Broadview International, Merrill Lynch
OEP Areas:
- ESG

**Jayme Fuller**
Vice President, Sales & Go-to-Market
Prior Professional Experience:
- Garmer, CEB, IBM, STATS
OEP Areas:
- Sales & Go-to-Market, Portfolio Cross-Sell

**Dave Eckley**
Operating Advisor, Operations & Logistics
Prior Professional Experience:
- TradeGlobal (co-founder)
OEP Areas:
- Technology & Operations

**Velina Butti**
Senior Associate, Portfolio Efficiency
Prior Professional Experience:
- J.Crew, Global eProcure
OEP Areas:
- Margin Expansion, Vendor Management, Portfolio Cross-Sell

**Nick Iozzo**
Operating Advisor, User Experience
Prior Professional Experience:
- Wize Commerce, TandemSeven (co-founder)
OEP Areas:
- Technology & Operations, Digital Acceleration
Joined Apax 2013. Based remotely in Austin, Texas.

**Julie Canfield**
Operating Advisor, Program Delivery
Prior Professional Experience:
- Aptos, NEC
OEP Areas:
- Technology & Operations, Carve-Outs & Integration
Joined Apax 2019. Based remotely in Atlanta, Georgia.
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