

Creating Business Opportunities

**An Interview with George W. Siguler,
Managing Director, Founding Partner, and Chief Investment Officer, Siguler Guff**

EDITORS' NOTE Before founding Siguler Guff, George Siguler was a Managing Director and Head of Paine Webber's Private Equity Group from 1991 until Siguler Guff became independent in 1995. Prior to joining Paine Webber, he was President of Associated Capital Investors (formerly Bank of America Investment Management Company), where he also served as Chief Investment Officer from 1985 to 1991. Siguler was a founding partner of the Harvard Management Company in the early '70s and also served as Associate Treasurer of Harvard University. Siguler served in the Reagan Administration from 1983 to 1984 as Chief of Staff of the U.S. Department of Health and Human Services. In 1988, Siguler was instrumental in setting up Commonfund Capital and, for many years, served as one of its directors. The recipient of an A.B. from Amherst College and an M.B.A. from Harvard Business School, Siguler is a Director of the Emerging Markets Private Equity Association.



George W. Siguler

COMPANY BRIEF Founded in 1991 within Paine Webber, Siguler Guff & Company (www.sigulerguff.com) is a multi-strategy private equity investment firm which, together with its affiliates, has \$8 billion of assets under management. It became an independent firm in 1995, and its clients include corporate and public employee benefit plans, endowments, foundations, government agencies, financial institutions, family offices, and high-net-worth individuals. The firm also provides discretionary private equity advisory services through Siguler Guff Advisers, a federally registered investment advisor.

How did your early involvement with the Harvard Management Company and Harvard University influence your career?

I was very lucky to get hired by Harvard a year after I graduated from business school and to be in the middle of putting up Harvard Management and changing the way that Harvard looked at its endowment and managed its money. I had phenomenal mentors: George Putnam, Bob Stone, and Derek Bok. Early on, we got Harvard into the venture capital business. A year before I got there, Harvard, with the Ford Foundation, set up the Investor Responsibility Research Center, funded by 10 institutions to take an analytical look at proxies before they got

voted. Harvard set up an internal committee made up of faculty, students, and alumni to make recommendations on how to vote. We – including Mike Spence, who went on to win the Nobel Prize, and future Dean of the Harvard Business School, Jay Light – were all in our late '20s and early '30s. During proxy season, we spent every Tuesday night going over these issues and making recommendations on how Harvard voted. Derek Bok instructed us to never cause Harvard to lose any money and to make sure that our decisions came out on the right side of history as people looked back on what we had done.

We threaded that needle pretty well, and eventually, Desmond Tutu got elected to the Harvard Board of Overseers. The rest is history, in terms of Mandela being freed and the change of government in South Africa. Harvard's efforts were a contributing factor in the eventual collapse of the white minority government. So that made me feel good.

How important is education and investment in emerging markets?

It's relatively clear that if you have education and capital, you will create business opportunities. We were fortunate enough to be the first U.S. investment group behind private equity going back into Russia in 1992, and we set up the first investment fund of that nature. It was a cooperative effort with investment by the Russian government, a guarantee from the U.S. government through the Overseas Private Investment Corporation, and equity capital from several pioneering U.S. institutional private equity investors. They saw business opportunity and gave us the direct funds subject to those guarantees to invest.

For instance, we owned MTV in Russia. We started it from scratch and sold it, and ended up owning 22 TV stations and 70 network affiliates. People say there is no free media in Russia, but we had both Putin and Colin Powell on the air. So there was more openness than you might have thought, and it was a convergence of Russian and Western cultures and pop music.

These worlds change so rapidly. Every time you go to China, for instance, it's different. China has created a system we may not necessarily agree with, but Wen Jiabao would say no country has lifted more people out of poverty faster than China has in the past 30 years.

Are the BRIC countries still thought of as emerging markets?

They still are. Income distribution is still a critical issue. It's subsistence, not poverty, but each of them is different. India is an extraordinary place where you have three or four centuries of different civilizations living side by side. In certain agricultural areas, nothing has changed in 400 years, and yet in Bangalore and the tech parks, they outdo Silicon Valley.

Education and management are the two things that leverage up society pretty well. People say conditions are far from fair, but the WTO has made enormous progress. There are jobs, better diets, and housing. As a transition, people in BRIC can live with conditions that people in America would not accept. With the World Bank, EBRD, and the Overseas Private Investment Corporation as investors, you're pretty well held to World Bank environmental and labor standards, and we can certainly function well under those.

Where did your desire to get involved with philanthropic foundations come from?

Working at Harvard, I got to know David Rockefeller and Walter Wriston. Then, the commercial banks and insurance companies had a much larger leadership role in our financial system than investment banks; investment banks were generally smaller partnerships. It doesn't seem that our system allows for leaders to move in and out of business and philanthropy now. It's almost impossible to make the move from business to government. Hank Paulson had to liquidate his Goldman Sachs position and Paul O'Neill had to liquidate his Alcoa position to take on government positions.

Does the suggestion that the U.S. is losing its global competitive edge concern you?

Sure. I'm still a free market person looking at effective competitive advantages, and the U.S. still has enormous competitive advantages in most areas of innovation and creativity. I hope we continue to nurture those areas so that advantage isn't lost.

You were honored at this year's TechnoServe annual gala. What makes the work of TechnoServe so important?

The notion that you do outcomes analysis on philanthropy and leverage is important. The nonprofit and NGO sector is large in our global economy, and there are still huge unmet needs. So using these kinds of dollars wisely and leveraging them up is extraordinarily important. Doing philanthropy intelligently is difficult. ●