FT wealth
Entrepreneurs

"The way I see it, everything is up for buying and selling"
MOHAMMAD ZAHOOR

BUSINESS UNDER FIRE
FACING DOWN RULING CLANS AND REBELS IN WAR-TORN UKRAINE

BY YURI BENDER

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IT'S ENTREPRENEURSHIP WITH A MISSION TO CHANGE THE WHOLE SYSTEM

COVER PHOTOGRAPH
DAVID PARRY

Taking the extra step

Everyone has their own notion about entrepreneurship. "You can truly be creative and have the freedom to create whatever innovation and product you like," says Weili Dai, co-founder of Marvell Technology Group, a global semi-conductor company. To show that Haiti "is not a pariah that can only export cheap apparel and mangoes", adds Maarten Boute, a founder of Sûrtab, which makes Android-powered, low-cost tablets. And for Mohammad Zahoor, one of Ukraine's most prominent foreign businessmen, "everything is up for buying and selling". Different voices from disparate places around the world.

In this special edition of FT Wealth dedicated to entrepreneurs, we do not seek to add our own view, but to showcase the great variety of men and women who have taken that extra step to start their own company. And what a range it is. We report from the UK, Ukraine, Lebanon, the US, Haiti, China, Venezuela and Poland on the state of entrepreneurialism around the globe.

Is there a common theme? Hala Fadel, chairwoman for the pan-Arab region of the MIT Enterprise Forum, should have the last word: "It's not just about making money; it's entrepreneurship with a mission to change the whole system."

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INVESTMENT FOCUS
LUCY WARWICK-CHING

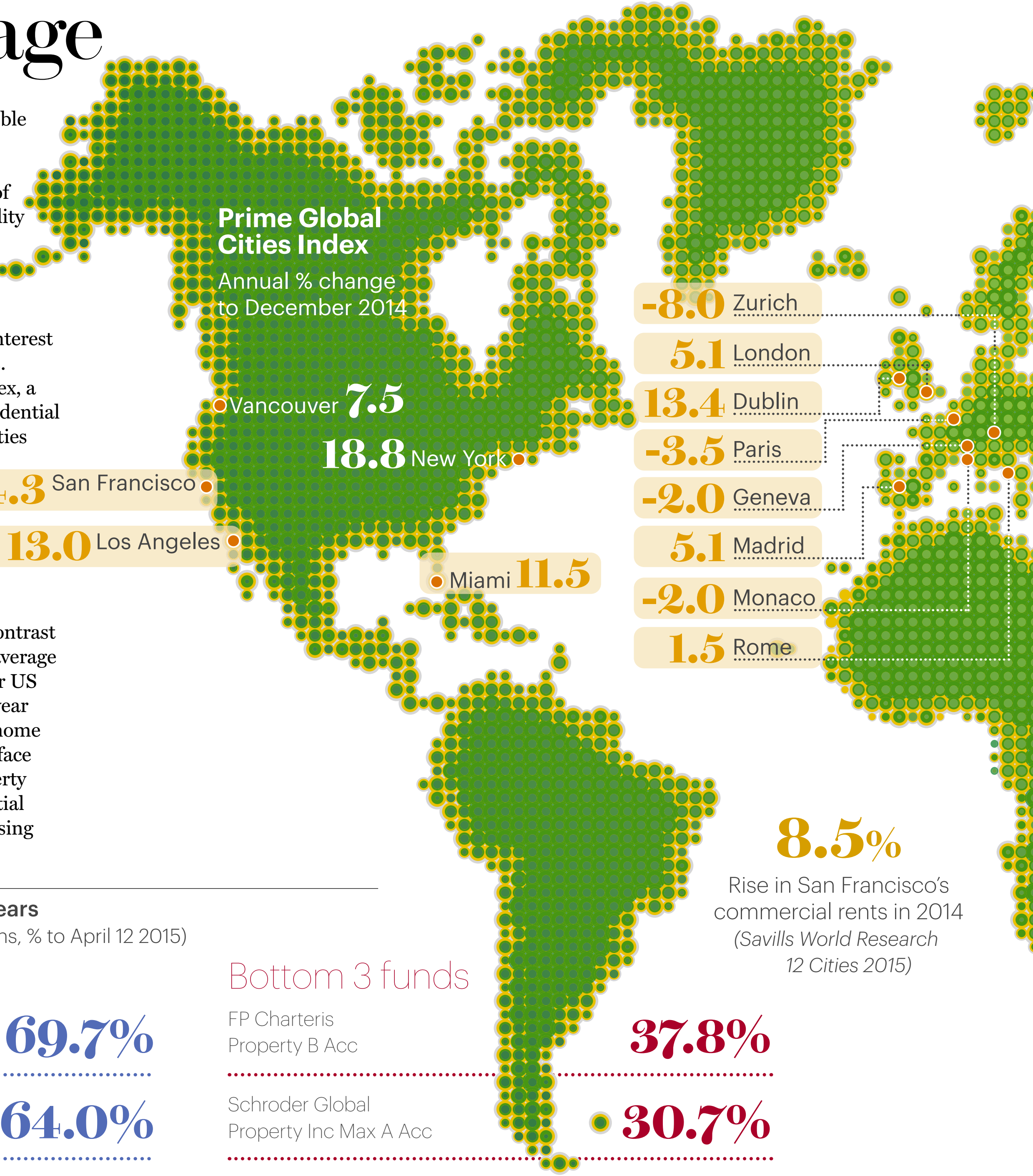
GRAPHIC BY RUSSELL BIRKETT

Global village

As fears of a UK property bubble increase, investors in the country are turning to overseas markets in search of diversification, decent liquidity and solid returns.

House price rises in most developed economies have been fuelled by attempts by central banks to sustain economic recovery by holding long-term interest rates at record lows over the past five years. The Knight Frank Prime Global Cities Index, a measure of price movements in luxury residential property, rose 4.2 per cent in 2014. Properties in 24 of the 32 cities in the index either held or increased their value. BlackRock Real Estate, the property arm of the world's biggest fund manager, estimates the $12.9tn global real estate market could nearly double in value by 2020.

Weak spots remain, however, and the contrast between the US and Europe is stark. The average price of a luxury property in one of the four US cities tracked by Knight Frank ended last year 14.4 per cent higher, while the equivalent home in Europe rose just 0.7 per cent. Investors face an uncertain year, with possible new property taxes in London and New York, and potential government moves to cool overheated housing markets in the biggest Asian cities.



8.5%
Rise in San Francisco's commercial rents in 2014
(Savills World Research 12 Cities 2015)

Performance over the past three years
(Global property funds, cumulative returns, % to April 12 2015)

Top 3 funds

Brookfield Global Listed Real Estate Ucits Acc	69.7%
Third Avenue Real Estate Val	64.0%
Fidelity Global Property Acc	58.7%

Bottom 3 funds

FP Charteris Property B Acc	37.8%
Schroder Global Property Inc Max A Acc	30.7%
SLI Global Real Estate Ret Acc	16.0%

WORLD PROPERTY OUTLOOK
LIAM BAILEY

The biggest theme underpinning global property investment activity has been the ultra-low interest rate environment that the main world economies have experienced over the past five years.

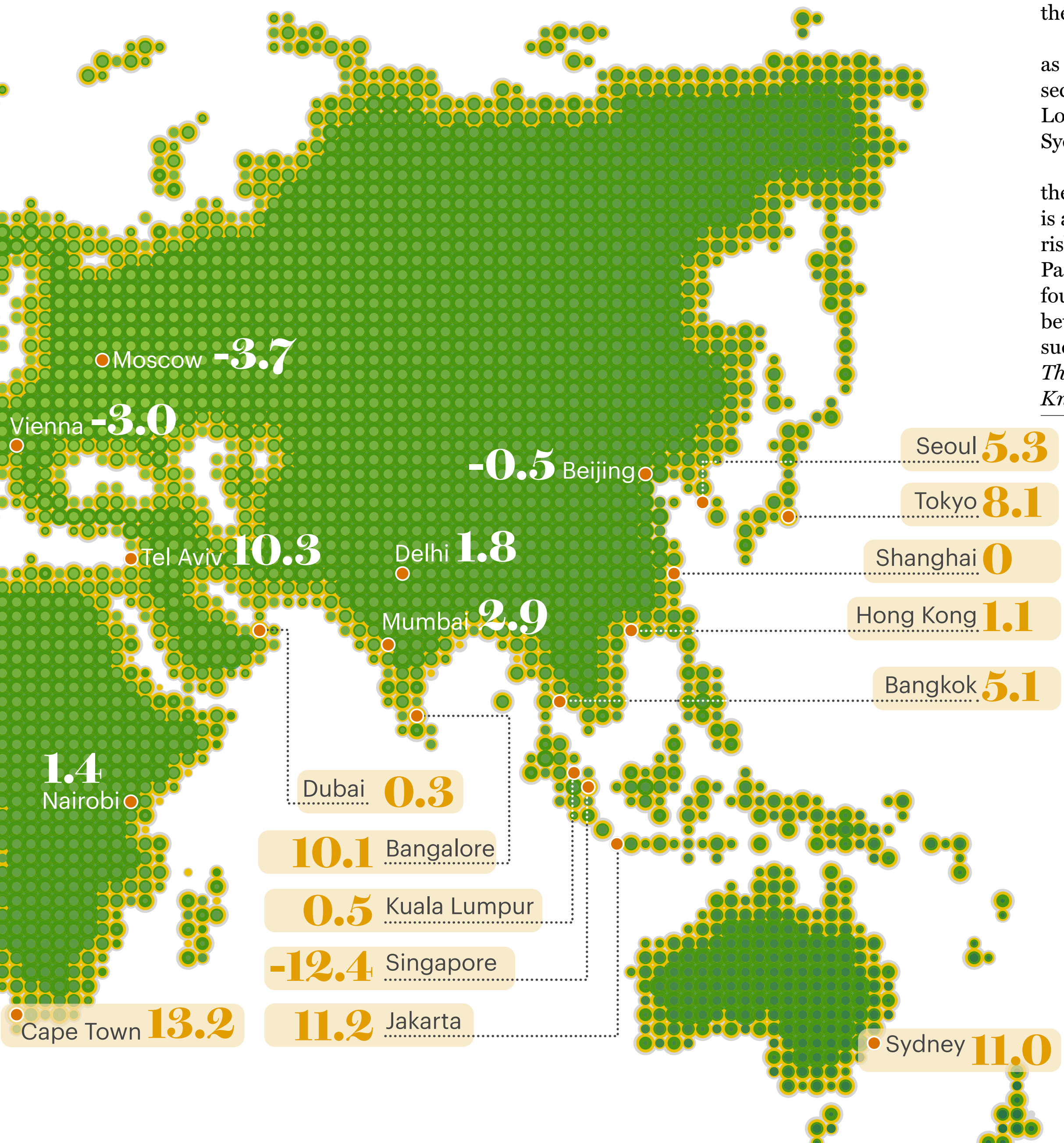
This has led to a compression of yields as investors have competed ever harder to secure prime property in city markets such as London, Munich, New York, Singapore and Sydney.

This squeeze on investment returns, and the expectation of interest rate rises in 2015, is acting to push investors to look for more risk. Demand for property in markets such as Paris, which has been overlooked over the past four years, is likely to rise. More investors are betting on an upswing in recovery markets such as Dublin and Madrid.

The author is head of residential research for Knight Frank

18.3%
Returns for buy-to-let landlords in the UK in 2014
(Wriglesworth)

65%
of investment deals in the London office market came from overseas in 2014
(Savills World Research 12 Cities 2015)



11.1%
Increase in prime residential rents in Tokyo
(Knight Frank Prime Global Rental Index)

12%
Growth in Singapore's office rents in 2014
(Savills World Research 12 Cities 2015)

6.5%
Increase in prime rents in 2014 in the Middle East, the highest increase among world regions year on year
(Knight Frank Prime Global Rental Index)

27.1bn
Invested into New York's office market in 2014
(Savills World Research 12 Cities 2015)

8.1%
Increase in prime rents in Dubai in 2014
(Knight Frank Prime Global Rental Index)

Source: Morningstar

THE IDEAS COLUMN

JAMES MACKINTOSH

Risk worth taking?

The basic principle of all financial theory is deeply embedded in the investor psyche: more risk means more reward. It makes perfect sense — why would someone take bigger risks if they did not expect bigger rewards?

The unthinking acceptance of the principle pushes long-term investors into equities by default, perhaps with a cushion of bonds to protect against the bad times when risks are realised.

Unfortunately, the principle turns out to be questionable, at best.

Consider the UK equity market. The FTSE 100 hit a new high in February, passing its 1999 peak. This should have vindicated buyers of equities, particularly since, when dividends were reinvested, shareholders made 70 per cent even if they had bought at the height of the dotcom bubble.

Over 25 years, UK blue chips have compounded at a rate of 8.6 per cent a year — a wonderful investment for those who stuck with shares through the booms and busts of 2000 and 2007.

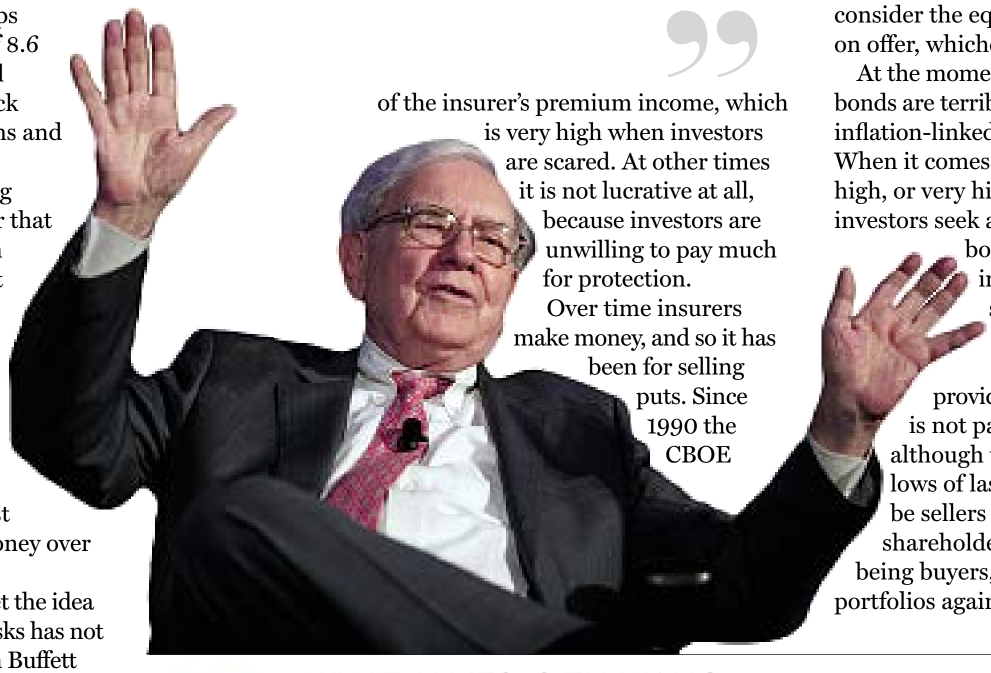
Yet those who bought boring bonds made more money over that period. The annualised return from always holding the latest 10-year gilt and reinvesting coupons was 8.9 per cent. Unlike shareholders, bondholders would not have been tempted to dump their holdings when things looked awful during crashes — and could have bought in at almost any time and made decent money over a decade, unlike in shares.

Even within the stock market the idea of higher rewards for higher risks has not worked. The success of Warren Buffett (pictured) and the entire leveraged buyout industry is based mainly on low-risk shares beating higher-risk shares for decades. Add gearing to one of these relatively safe holdings and history suggests you will retire rather richer than you otherwise might.

But while steady shares have made decent returns and long-dated bonds have beaten equities over a quarter of a century, there are times when risk-taking is rewarded. Investors need to be thinking not just about taking risk but also what reward is on offer.

This is clearest in some strategies using options. By selling put options, investors can take a steady income in return for heavy losses when prices fall. Just like Buffett, investors can act as an insurer: covering others against losses in falling markets. Sometimes this is very lucrative, acting as the equivalent of the insurer's premium income, which is very high when investors are scared. At other times it is not lucrative at all, because investors are unwilling to pay much for protection.

> "WARREN BUFFETT'S SUCCESS IS BASED ON LOW-RISK SHARES BEATING HIGHER-RISK SHARES"



Over time insurers make money, and so it has been for selling puts. Since 1990 the CBOE PutWrite index has beaten the S&P 500 handily and been less volatile. Investors will pay up for peace of mind.

The easiest proxy for how much Mr Market is willing to pay the seller of puts is the Vix index for America's S&P 500 index, or equivalent measures of "implied volatility" elsewhere. When the Vix is high, sellers of puts are paid a lot for the insurance they offer; broadly speaking, others see risk as high. When the Vix is low, the premium is paltry: Mr Market sees few risks out there, so will not pay much for insurance. This helps explain why put writing has underperformed shares during the equity rally of the past three years.

Thinking like an insurer would have investors do the opposite to the market, taking on more risk when premiums are high and less when they are low. This is the key to understanding why higher-risk assets are not necessarily higher-reward assets: one has to consider the equivalent of the premium on offer, whichever market one is in.

At the moment, nominal yields on bonds are terrible, and the yield on most inflation-linked gilts is heavily negative. When it comes to shares, valuations are high, or very high, in many markets as investors seek alternatives to expensive bonds. High valuations imply future returns on shares will be lower than normal.

Finally, the reward for providing insurance on shares is not particularly attractive, although the Vix is well above its lows of last summer. Rather than be sellers of insurance, perhaps shareholders should consider being buyers, protecting their portfolios against losses.

WHAT JAMES IS THINKING...

The Federal Reserve is expected to raise rates later this year. Can the flood of euros and yen being created by the European and Japanese central banks offset tighter US monetary policy, or can nothing make up for the dangers to world equities of a stronger dollar?

PHOTOS: GETTY IMAGES; CHARLIE BIBBY

THE RICH COLUMN

MATTHEW VINCENT

“YOUTHFUL IDEALISM NEED NOT BE A CHILDISH THING TO PUT AWAY”

Pester power in action

When you look at some entrepreneurs, you can almost imagine their childhoods. Staring at frozen windows, flicking power switches off and on, turning an egg timer over and over... it would explain a lot about Bill Gates and his inspiration for Microsoft. Buying suspiciously cheap prog rock LPs, swapping them for Airfix Boeing 747 kits, building a train set featuring rail-replacement buses... you can just see the young Sir Richard Branson. In a jumper knitted by his grandma.

In the case of the Musk brothers, it's not quite as easy. Seemingly, elder sibling Elon had first dibs on the piggy bank, the Scalextric and the water-powered rocket. Hence, his subsequent career founding money-transfer business PayPal, electric car pioneer Tesla Motors and interplanetary transport group SpaceX. But younger brother Kimbal, appears to have been left to play with an old Fisher Price kitchen set and a few flower pots.

These thoughts occurred to me at an FT conference in London last month, after welcoming Musk Jr to the stage for a question-and-answer session. Sadly, they occurred too late for me to ask him about the contents of the family toy cupboard in 1970s Pretoria. Nevertheless, as he proceeded to explain why he had chosen to devote himself to community restaurants and non-profit “learning gardens”, he made me realise that youthful idealism, whatever its inspiration, need not be a childish thing to put away. Increasingly, it is something into which the wealthy want to put money.

He described his business model — both at The Kitchen restaurants that support local farmers and The Kitchen Community gardens that teach 120,000 schoolchildren about health and nutrition — as social entrepreneurship. And this — rather as one imagines

Early lesson: the young Kimbal Musk realised social entrepreneurs have to change the perceptions of potential backers

a game of Monopoly in the Musk household — involves playing by a very different set of rules.

“I got a plum assignment in an investment bank,” Kimbal recalled. “I didn't like it. It was a very money-oriented place. I said, ‘If it's just making money, I'm done.’ It just wasn't inspiring for me. I was young.”

To this youthful idealism was soon added a valuable business lesson: attracting finance for innovative ventures when “done” with one's investment bank is not so easy — something he discovered when helping Elon launch Tesla. “Trying to raise money for that company was impossible!” he recalled. “None of them wanted to put money in. Elon even had to set up SpaceX as a non-profit organisation.”

But it made Kimbal realise social entrepreneurs have to do even more to change potential backers' perceptions. “In the restaurant business, we wrote a business plan to scare ‘investors’ away — so the number one return was the social mission,” he admitted.

This return can still be quantifiable, however, and one that rewards investors. He cited a possible project with fellow foodie Jamie Oliver, whose social enterprises have delivered jobs and regeneration in UK cities. “Take a city like Manchester,” Kimbal suggested. “Families care about Manchester. So there is value for them to do social impact investment that can improve the value of their own real estate.”

Judging by the latest FT Investing for Global Impact report — produced with the help of advisers Method Impact and Banca Prossima — measuring the return is the key to persuading the wealthy to pursue more social investment.

Interviewed for the report, Sir Ronald Cohen, co-founder of Big Society Capital, the social investment fund, said: “Creating a culture of measurement distinguishes those able to deliver results from those who are not... Social entrepreneurship is just another evolution in entrepreneurship. Venture capital was the response to the need for risk capital to finance tech entrepreneurs; impact investment is the response to the needs of social entrepreneurs.”

Much of this need will soon be met by younger wealth owners, according to the advisers of wealthy dynasties. Of 180 family offices surveyed for the FT report, 63 per cent said the next generation would be putting “a greater focus” on social entrepreneurship.

For Kimbal Musk, it is simply a matter of harnessing the pester power learnt in childhood. “Our social investor in Memphis has a daughter who makes him do this,” he revealed. “The next generation plays a powerful role persuading the patriarch!”

WHAT MATTHEW IS READING...

Economist Andrew Smithers' FT blog on the “Risks and dangers in the aftermath of QE”: “It increases the risks of a bear market and magnifies the threat that a bear market will produce a severe recession.” Oh great.

PHOTOS: CHARLIE BIBBY

CRISIS MANAGEMENT

FOREIGN INVESTORS SEE POTENTIAL IN UKRAINE — IF IT CAN MODERNISE ITS ECONOMY

BY YURI BENDER
PHOTOGRAPH BY DAVID PARRY

Country comparisons: both Pakistan and Ukraine "have a hostile relationship with their neighbours", says Mohammad Zahoor

Things have not been going according to plan for Mohammad Zahoor, one of Ukraine's most prominent foreign entrepreneurs.

In Luhansk, the country's eastern-most region, a once-lucrative processing plant supplying coal for metals and mining group Rio Tinto lies mothballed in rebel-held territory. Zahoor's renovation of a landmark hotel in the centre of Kiev, Ukraine's capital, has ground to a halt, with the latest tranche of funding from the European Bank for Reconstruction and Development uncertain. And then Leila, the prized pet falcon of his pop star wife Kamaliya, fled their home in Kiev's exclusive Koncha Zaspa suburb, leaving Zahoor to seek a replacement.

He blames his run of bad luck, apart from this latest incident, squarely on the rise of Russian-backed separatists, splitting the smokestack cities of Donetsk and Luhansk from the rest of Ukraine.

"There were a lot of raids on our factory and people wanted to grab it, but somehow our security guys have been able to stop these things," explains the Savile Row-suited businessman as he relaxes next to a roaring fire in his north London house overlooking Hampstead heath. He lost $25m in revenues during 2014 after production stopped and expects to take a similar hit this year.

A hotel Zahoor owns in Donetsk has been overrun by fighters of the self-styled Donetsk People's Republic, who pay his company a nominal "so-called rent" of Hr10 (44 cents) a month.

But he is not panicking just yet. The Pakistani-born businessman has been here before and his immaculate jet-black coiffure remains unruffled. He recalls the bloodshed in Pakistan, prior to the independence of Bangladesh in 1971. "In the 1970s, the deaths were in east Pakistan, destined to be another country. Nobody in west Pakistan ever cared about losing one big chunk."

Similarly, several thousand deaths and a refugee crisis, which displaced more than 1m of east Ukraine's people, could have been prevented, he believes, even though it is a difficult decision for any government to allow part of its territory to secede. "They should just let it go. If a wife doesn't want to live with her husband and her intentions are firm, there is no sense in holding on to her. If they

Many faces: Kamaliya Zahoor, wife of Mohammad, above, and signs of destruction as the conflict continues in Donetsk, opposite page, which forced Rinat Akhmetov (far right) out of the city in 2014

PHOTOS: AFP/GETTY IMAGES; PHOTOTHEK VIA GETTY IMAGES

'IF A WIFE DOESN'T WANT TO LIVE WITH HER HUSBAND AND HER INTENTIONS ARE FIRM, THERE IS NO SENSE IN HOLDING ON TO HER'

want to go to Russia, let them go to Russia," says Zahoor, as he occasionally strokes a white Persian cat, which he speaks to in Russian. "The grass is always greener on the other side, but once they see the other side, they will understand they were either fooled or dreaming."

After winning a metallurgical science scholarship to the Soviet Union in 1974, Zahoor eventually returned from studies in Donetsk to a career at Pakistan Steel. But his marriage to a Russian woman, his first wife, sparked suspicion in the secret services, spooked by Soviet involvement in the nearby Afghan conflict in the 1980s.

"I was travelling to Islamabad to meet government ministers, and the Pakistani intelligence services were not happy with the fast progress of my career. They told me, quite bluntly, that I would never move upwards. I could not accept this," says Zahoor, recalling the conundrum he faced in his late 20s.

He resigned, moving to Moscow to run a metals company and eventually back to Soviet Ukraine. Following independence in 1991, he received a similarly unsettling knock on the door from Ukrainian authorities after he publicly backed Ukraine's first president, Leonid Kravchuk, in the 1994 election, which was won by rival Leonid Kuchma.

But the approach was much less direct than in Pakistan. "In Ukraine, they don't come and ask why you are on the other side. They just send people to constantly inspect your documentation and properties, and question whether what you are doing is legitimate."

Ukraine and Pakistan are both corrupt countries cursed by geography, adds Zahoor. "Both have a hostile relationship with their neighbours and both struggle to keep their economy going."

His biggest troubles, however, came at the turn of the millennium. When he tried to ramp up steel production, he attracted the attention of Ukraine's business bosses, who had been gradually taking control of heavy industry. These included Rinat Akhmetov, the most powerful businessman in Donbass at the time, who was eventually forced out of his native Donetsk by separatists in 2014; and Serhiy Taruta, later to become Donetsk regional governor.

Until then "steel had not been a hot commodity", ➤

Plans afoot: President Petro Poroshenko, far left, with Vitali Klitschko, mayor of Kiev, at a presidential election rally in 2014

'THERE IS A LOT OF MONEY TO BE MADE IN A CRISIS SITUATION. WE ARE AT THE BOTTOM, SO IT'S DEFINITELY NOT TIME TO SELL'

recalls Zahoor. "People just wanted a quick buck from vodka or casinos." But when "visitors" told him they were taking over his steel mill, he decided to play along, presenting them with a 40-page non-disclosure agreement. "The way I see it, everything is up for buying and selling."

Luckily, a rival clan was keen to partner with Zahoor, saving him from the raiders. He agreed to share the mill, but offloaded the rusty, non-profitable part housing 10,000 workers, and held on to a smaller piece. "I got rid of everything I wanted to, while they got something big," stresses the smiling entrepreneur. "In Russia and Ukraine, [disputes] are always about owning something big."

Genuine entrepreneurs are muscled out of Ukraine's business world by warring clans, he says. As well as expecting big changes to this system, he hopes to send more young people abroad for work experience in different industries. "Just like *The Apprentice* [television] programme, we need to encourage young people to be entrepreneurs and become rich," he says. "Only 10-20 per cent of Ukraine's economy is owned by [small and medium-sized enterprises]. The rest is big business. For a country to regenerate, that has to be over 50 per cent."

Zahoor's experience in Ukraine is by no means unique. "We have a European client in Crimea whose factory was confiscated by the Russians," says the chief executive of a leading global private bank. "A year later, they had figured out they didn't know how to run it and asked him to come and sort out the mess they had made. Now they want him to stay there and run his business."

This type of scenario is common in many developing countries. "Exactly the same thing happened with the Muslim Brotherhood in Egypt," recalls the banker. "For one year, nobody was investing or taking decisions any more. They were all busy running for the door."

Foreign investors have become increasingly wary of Ukraine since Russia's annexation of Crimea and the start of the rebellion in the east last year. But there is room for optimism. Valentyna, a cheery stallholder on Kiev's most picturesque cobbled street, Andriyivsky Uzviz, selling traditional embroidered scarves for Hr220–Hr1,000, says US and Canadian tourists were the first to avoid Ukraine. "When the war started, customers stopped coming, because they feared instability," she says. "Even those from former socialist allies such as Kazakhstan disappeared. But Europeans are starting to come back, as word gets around that it's safe to visit Kiev."

This could be a good time for foreign investors, believes Robert Koenig, a US businessman and adviser to Kiev mayor and former heavyweight boxing champion Vitali Klitschko. "My own investment experience shows there is a lot of money to be made in a crisis situation," says Koenig, who controls the Ukrainian franchises of luxury brands such as Tiffany, Burberry and Montblanc. "We are now at the bottom, so it's definitely not time to sell."

Koenig is sitting in the high-ceilinged canteen of Kiev city hall. Bracing himself for a marathon council meeting addressing Kiev's waste management problems, he takes a few slugs of Ukrainian bottled water and talks about

'VLADIMIR PUTIN WANTS TO MAKE UKRAINE AS UNATTRACTIVE A PLACE AS POSSIBLE FOR FOREIGN INVESTORS'

current investment opportunities: "Since the cost of communication and price of advertising has fallen, it's a great time to reinforce the strength of a brand."

Indeed, at the time of going to press, Koenig and Klitschko were planning to visit New York and Washington to raise money for an investment fund focused on the capital's urban projects. The fund is managed by Ukrainian brokerage Dragon Capital for pension schemes and wealthy individuals.

Yet the American half of this duo also urges caution: "The crisis may look over, but it's not over. [Russia's president Vladimir] Putin wants to make Ukraine as unattractive a place as possible for foreign investors. His main aim is to keep things unstable."

In addition to pressures from across the border, Ukraine's government faces huge challenges of modernising and "de-oligarchising" a floundering economy dominated by four big business clans.

President Petro Poroshenko has achieved the first stage of this task by curbing the powers of metals, media and banking magnate Ihor Kolomoisky, recently stripped of his duties as governor after camouflage-clad men turned up at an oil company that Kolomoisky was battling to retain control of. One of the most vocal critics of the oligarchs is Serhiy Leshchenko, a well-known journalist and activist in the street protests that led to the abdication of President Viktor Yanukovich last year. Leshchenko has been elected to parliament in Poroshenko's bloc. Armed people being sent on to the street outside the headquarters of [partially state-owned oil company] Ukrnafta was a challenge to the president's legitimacy to govern Ukraine, says Leshchenko, a gangly, bearded figure, known for his fearless investigations. "Only Poroshenko has the right to do this. The president did the right thing by sacking him. This marks the first stage of de-oligarchisation of Ukraine." Kolomoisky has denied that the armed men were summoned by him and that they came from one of the volunteer military battalions he supports.

The dismantling of oligarchs' power must coincide with a small business renaissance. Remixing the economy by encouraging start-ups and entrepreneurs in information technology, farming and agriculture is undoubtedly the way forward, says political analyst and former presidential adviser Vadym Karasyov over green tea in his favourite O'Panas restaurant in Kiev. "Ukrainian economics needs to move from a post-communist model to a European model, involving a new middle class, but this will take at least 10 years."

"At the moment, everything is imported — even toilet paper and toothpaste are Polish," adds Leshchenko. "This is the opportunity for the rebirth of domestic manufacturing, which will be much cheaper for consumers than buying foreign goods. Currency devaluation means that for $300, people will work eight hours, five days a week."

For foreign investors in particular, this may be a unique window of opportunity.

PHOTOS: REUTERS; AFP/GETTY IMAGES

In hope of a revival: "Stop corrupted candidates!" demands Serhiy Leshchenko, right; a resident of Debaltseve, near Donetsk, above

BACKING BEIRUT
THE RISE OF FEMALE ENTREPRENEURS IN LEBANON IS WINNING OVER INVESTORS

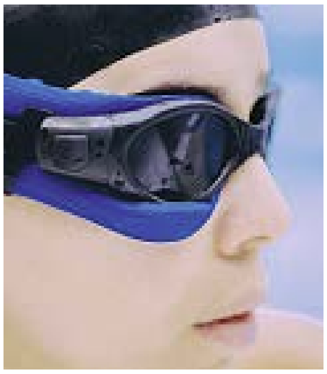
BY MAYA JAGGI
PHOTOGRAPH BY THIERRY VAN BIESEN

In Bachoura, a run-down quarter of central Beirut, a quiet revolution is gathering strength. From the balcony of a new office block, the Mediterranean sparkles behind a row of cranes. On a freshly painted roof patio next door, entrepreneurs work at picnic tables laden with laptops and lattes. Amid walls still bearing artillery scars from the civil war a quarter of a century ago, the Beirut Digital District is rising — one of a growing number of spaces in the Lebanese capital dedicated to 21st-century start-ups.

Hala Fadel, a dynamic serial investor who grew up in Paris, is among women in the vanguard of this entrepreneurial revolution. She is chairwoman for the pan-Arab region of MIT Enterprise Forum, a non-profit organisation that promotes entrepreneurship, and began its start-up competition in 2005. Returning to Lebanon in 2003, "everything outraged me", she says. "But I love the people. It's not just about making money; it's entrepreneurship with a mission to change the whole system. This is why I wear so many hats." ➤

Fronting the revolution: Hala Fadel says the line between social and commercial entrepreneurship is blurring


نحن الأكثرية بهل بلد
وإلنا الحق بقانون يحمينا
...ما بدي موت...



Turning the tide: Butterflye's Instabeat goggles, above; a march opposing domestic violence against women, marking International Women's Day in Beirut in March 2014, opposite and below

'IT'S NOT JUST ABOUT MAKING MONEY; IT'S ENTREPRENEURSHIP WITH A MISSION TO CHANGE THE WHOLE SYSTEM. THAT'S WHY I WEAR SO MANY HATS'

Once a top-ranking analyst at Merrill Lynch in London, Fadel started a telecom software company after studying business at Massachusetts Institute of Technology. Last year she quit her day job in fund management to co-found Leap Ventures, a $71m venture capital fund for high-growth Middle East technology businesses, which launched in March at the sixth ArabNet Beirut. At this huge networking event, Raed Charafeddine, vice-governor of Lebanon's central bank, hailed an "Arab digital renaissance", while the telecoms minister, Boutros Harb, pledged improvements to Lebanon's notoriously slow internet.

The line between social and commercial entrepreneurship is blurring, Fadel says, as everyone wants to create jobs. But with inadequate governments (Lebanon has been deadlocked without a president for almost a year), start-ups are stepping into the breach, to address issues from recycling to traffic jams. Fadel enthuses about Tripoli's car-free day in 2011, when she organised a rally of 50,000 people and 900 volunteers to raise environmental issues in the northern city. "Twenty-two kilometres of roads were closed for a day. It was the best project of my life."

Another of Fadel's passions is to exploit the talents of women. Of 5,000 applications to the MIT Enterprise Forum start-up competition this year, 69 per cent had at least one woman in the team, she says. Over the life of the competition, 47 per cent of teams have been led by women. Her own open-plan office has a mostly female staff.

Fadel, who scarcely knew her parents' homeland, returned to make a difference, like many other new entrepreneurs. A business park across the Beirut river is home to the Beirut hub of Diwanee, a pioneering online media company aimed at women. Co-founded by Delphine Eddé, it has grown since 2008 to six websites, covering topics from motherhood and health to beauty and fashion, with a lifestyle channel partnered by Google. Of its 7m unique users a month, 70 per cent are in the Gulf — insulating the company from worsening security since the Syrian war began in 2011.

Eddé's family fled the civil war to Paris when she was two, and after studies at the Sorbonne and in New York, she was headhunted as digital director of Condé Nast France, the magazine publisher. It was the Israeli bombardment of Lebanon in 2006 that spurred her and Hervé Cuviliez, her French husband (also a backer of Leap Ventures), to move to Beirut and "do something for the country". They started Diwanee when only 5 per cent of online content was in Arabic. "We realised women's websites were not in Arabic, and Arabic sites were not for women," Eddé says. Of 140 employees in Beirut, Dubai and Belgrade, "more than 80 per cent" are women.

Small private enterprise is nothing new in the Middle East. The Arab uprisings of 2011 were triggered by a thwarted Tunisian fruit-stall entrepreneur. But even before the Arab spring trumpeted the potential of

PHOTOS: REUTERS; AFP/GETTY IMAGES

Facebook and Twitter, the region was undergoing a tech-based revolution — as charted in Christopher Schroeder's book *Startup Rising* (2013). Accessing markets and skills abroad, start-ups also open a path for talent to sidestep red tape and *wasta* (an Arabic term for favouritism). Roughly a third of Middle East start-ups were founded by women. In two landmark exits in the Arab world, the recipe website Shahiya.com was acquired for $13.5m by Japan's Cookpad in January. Last year, a majority share in Diwanee was bought by Paris-based Webedia. Both Lebanese start-ups had women at the helm. "Technology and the internet are equalisers for women in strict locales," says Amal Ghandour, the incisive Beirut blogger of thinkingfits.com. For her, the surge in start-ups signals "desperation in a region of overbearing governments and meek private sectors — the only way out and up for disadvantaged youth or Arab females looking to break age-old barriers".

So what are those barriers? In certain respects, Lebanon seems to be an Arab-world leader in women's freedom — from the lack of censorship that makes Beirut an Arabic publishing hub to fashions flaunted in Beiruti cafés. While Saudi women, restricted in driving and workplaces have embraced the internet as a salvation, some highly educated businesswomen in Beirut are politely impatient at being set apart from male peers.

Yet urban freedoms cloak inequalities. Rallies in Beirut in March for International Women's Day attacked discriminatory laws preventing women from passing their nationality to their children. Only after such protests was domestic violence criminalised last year. Lebanese women are "superficially free", says Fadel, citing Lebanon's ranking for women's rights of 123rd out of 136 in the 2013 World Economic Forum's Global Gender Gap Report. "The apparent reality is hiding a horrible truth. A woman is not the legal guardian of her children. Women's participation in parliament is only 3 per cent — we're second to last after Saudi Arabia. And 77 per cent of women of working age stay at home. It would really be a revolution if women became part of the economy."

In 2012, BLC in Lebanon, in partnership with the World Bank, became the region's first bank to target funds at women entrepreneurs, arguing that while women owned 30 per cent of small and medium-sized enterprises in the country, they were granted just 3 per cent of loans. Funding and guidance for start-ups and growing businesses is increasing, partly though Lebanese central bank initiatives. But the start-up revolution may have to embrace a broader section of women if the goal is to boost the economy.

Finance is not the only hurdle. "In this part of the world, men have more access to professional networks," says Rima El-Husseini, who studied banking at the American University of Beirut (AUB) and co-founded the Blessing Foundation in 2012 to "create a space where women can talk business". Its third round of business mentoring ended in March. "There's a perception that women don't help each other, but it's totally the opposite,"

'IN THIS PART OF THE WORLD... THERE'S A PERCEPTION THAT WOMEN DON'T HELP EACH OTHER, BUT IT'S TOTALLY THE OPPOSITE'

PHOTO: TIM WHITE/GETTY IMAGES

Seats of innovation: Beirut Digital District, far left; Maria Hibri and Hoda Baroudi, above, and one of their creations, below; the Corniche promenade in central Beirut, right

'IN OUR OFFICE THERE'S ALMOST EVERY SECT AND EVERY COMBINATION OF BACKGROUNDS. OUTSIDE, THE TENSION IS THERE. BUT START-UPS DON'T DO THAT'

El-Husseini says. She aims to extend that space to "less-educated women designing bouquets or gift-wrapping biscuits, who definitely face social barriers: they may not be allowed to work outside the home or have financial independence". In June, the foundation launches an "open market in Arabic for any woman in business to sell online — we're trying to give rural women a platform too".

El-Husseini's luxury chocolates and gifts company, started with her sister in 1996, has franchises across the Arab world and is a reminder of pre-tech women's enterprise. Bokja, a thriving furniture company with a showroom in Beirut's regenerated Saifi Village, is another. Hoda Baroudi and Maria Hibri put in $5,000 apiece in 2000, growing the company to 34 employees and a $1m turnover. "We started from scratch, working with artisans" — most of whom are men, says Baroudi. "It took time to gain respect. They'd talk down to us, but we were persistent." Citing Lebanon's long-term brain-drain, they say men took jobs in Dubai and elsewhere while women did business at home. Yet technology has opened up many more opportunities, and the flexibility suits women.

In historically Greek Orthodox Achrafieh in east Beirut, bicycles rest outside the Kiosk, a former Ottoman bathhouse in the Sursock palace gardens. The restored villa houses Coworking +961, a start-up services provider set up by Fadel three years ago amid soaring rents and named after the country dialling code. One of nine resident companies is Butterflye — an exemplar of innovation. Hind Hobeika was an engineering student at AUB and a competitive swimmer when she invented Instabeat — a device for swimming goggles that monitors and displays heartbeat and other data on the lenses, and record the athlete's progress. She honed the prototype in 2010 on *Stars of Science*, a Qatar television reality contest ("they lock you in the lab for four months"), winning third prize — the only woman in the top five.

The contest was empowering, says Hobeika. Berytech, the seed fund, encouraged her to quit her job designing air conditioning, and she now has nine staff in Beirut, Berlin and Ukraine, while manufacturing in the US.

Butterflye has raised $2m, including $80,000 in crowdfunding from 54 countries, yet frustrations remain. When Hobeika wanted to hire a Cornell-educated engineer from Tripoli, "the weekend of the interview, a bomb went off, and she didn't want to commute any more". Volatile security also "affects our reputation", she says. "People say, 'is it safe?' It's more about image."

While Fadel aims to break that image, "to show Lebanon is not just a warzone, and there's something going on beyond nightclubs", there are hints of another shift in the start-up culture. Tensions among staff at some companies in Lebanon have been raised during Syria's descent into war, which has inflamed sectarian friction. But Fadel paints a different picture: "In our office there's almost every sect and every combination of backgrounds. Outside, the tension is there. But start-ups don't do that."

If anything, experience of war may fuel the can-do ethos. Baroudi speaks of a "Lebanese culture of now — there's no postponing anything". El-Husseini, who saw out the civil war years in Beirut, adds: "Nothing puts us down. We're always ready to start all over again — and we always find a way."

HEALTHY PROFITS

AMERICA'S HEALTH REFORMS HAVE CREATED A FEAST OF OPPORTUNITY FOR TECH COMPANIES

BY AARON STANLEY

A taste of things to come: obesity-related diseases are a key theme for the new wave of health information providers and insurers

Few people would admit to, much less boast about, keeping a copy of the 906-page US Patient Protection and Affordable Care Act on their Kindle. But after uncovering a provision on diabetes prevention on page 879 during a medical school internship, Sean Duffy swears by Obamacare, as the act is known informally, and generously credits it as the catalyst for the launch of Omada Health, his digital health platform.

"Omada was founded in direct response to the Affordable Care Act (ACA)," says Duffy, a former Harvard University medical student and Google analyst who had long maintained one foot in medicine and the other in Silicon Valley but had struggled to combine the two.

His light-bulb moment came during his internship with Ideo, a consultancy in Palo Alto, California, where he drew up a business model that would tap into ACA funds allocated to the Centers for Disease Control and Prevention, the US national public health institute,

PHOTO: RICHARD SCHULTZ/CORBIS

ENTREPRENEURS ARE TRANSFORMING A SECTOR THAT WAS AN INVESTMENT BACKWATER AND TECHNOLOGY LAGGARD

for the prevention of type 2 diabetes — a chronic disease that costs the US $245bn annually in treatment and lost productivity, according to the American Diabetes Association. "We wouldn't have any customers without the ACA doing this," he notes.

Promptly dropping out of Harvard, forgetting even to tell his father, Duffy launched Omada in April 2011, embracing what he calls "digital therapeutics". This combines mobile and wearable health-tracking tools with an online peer group to foster better exercise and eating habits. The concept, combined with Duffy's technical and medical acumen, attracted a $23m capital infusion from Andreesen Horowitz — the Silicon Valley venture capital firm's first foray into digital health technology.

Through small online communities comprising a coach and peers who share their health dreams, fears, triumphs and failures through Omada's platform, individuals at risk from type 2 diabetes can monitor and encourage one another toward their goals. While weight-loss schemes are loathed by many, Omada's convenient, community-driven approach to dropping pounds has been a hit — 65 per cent of clients have stayed in the programme for 12 months following the initial trial period.

Duffy's story illustrates how a new crop of health technology entrepreneurs have jumped on the Obamacare health reforms to transform a sector that was an investment backwater and notorious technology laggard into a space overflowing with innovation and opportunity.

Prior to Obamacare, the role of health information technology was analogous to a stockpiling of technical arms by hospitals and insurance companies seeking to maximise revenues at the others' expense, where neither side would blink first — leading to essentially "mutually assured destruction", according to Aneesh Chopra, the former White House chief technology officer who now heads a health analytics start-up. "If you wanted the highest technology, you would look at the revenue and billing systems — how do you better document care and squeeze every nickel out of the insurance company?"

The winds began to change after the recession from about 2008, which spawned a new urgency among employers — led by groups such as Apple, the technology

A NEW EMPHASIS ON PROMOTING HEALTHY HABITS MINIMISES THE NEED FOR COSTLY HOSPITAL STAYS AND TREATMENTS

PHOTOS: ROBERT KING/POLARIS/EYEVINE; THE WASHINGTON POST/GETTY IMAGES; BLOOMBERG

Troubled system: a free clinic, opposite, run by Remote Area Medical; the Affordable Care Act has aroused strong political feelings, left; Aneesh Chopra, above

company — to control healthcare costs, new funding for digital health records and data, and the passage in 2010 of Obamacare, which flipped the business model of health insurance on its head and revamped how the government pays healthcare providers for services rendered.

These reforms fundamentally changed the incentives behind how healthcare is delivered. Under the old "fee-for-service" model, healthcare providers were compensated strictly based on the volume of care they provided, and US healthcare spending, though tapering off recently, rose to $2.9tn in 2013 (17.4 per cent of gross domestic product — nearly double the OECD average).

In the new landscape, known in industry jargon as "population health", providers are paid based on how well they can deliver more effective care at a better price. This has created a new emphasis on promoting healthy habits, thereby minimising the need for costly hospital stays and treatments.

Eyeing a sea of opportunity, technology entrepreneurs quickly rushed in to find ways of fostering healthy lifestyles and improving treatment outcomes. Venture capitalists followed suit, quadrupling their investments in the area since 2011, according to Rock Health, a healthcare technology incubator. In 2014, $4.1bn was poured into digital health companies focused on new fields, such as consumer engagement, data and analytics, personalised medicine and wearable devices.

Bryan Roberts, a partner in Venrock, a health IT venture capitalist, says these new incentives for value creation and the availability of data are attracting the brightest young minds to the field. "We are seeing a dramatic increase in the level of entrepreneurial talent participating in the space," he says.

Health IT's unofficial coming-out party came during a December 2010 economic summit between President Barack Obama and top corporate executives in which post-ACA health technology was promoted by the president as a potential new opportunity. Venture capitalist John Doerr of Kleiner Perkins — who was bullish on the vision but lamented that nobody else in the investment community knew a thing about it — took matters into his own hands by convening the first panel on innovation in healthcare technology at the following month's JPMorgan healthcare investor conference.

The panel, comprising Doerr, Chopra, Google's Eric Schmidt and Todd Park of Athenahealth, the health ➤

'THE USE OF INFORMATION TECHNOLOGY [IN HEALTHCARE] IS 25-30 YEARS BEHIND THE REST OF THE COMMERCIAL WORLD'

technology company, stole the show as investors flooded the forum to learn more about the emerging field. An informal poll revealed the vast majority of participants had little or no background knowledge of the Obamacare reforms to health IT, but they peppered the panel with questions about this new investment landscape that had been created seemingly out of thin air.

The discussion centred on the law's carrot-and-stick approaches to promoting new technologies to help control costs and improve patient outcomes, in particular the incentives for providers to begin using electronic health records (EHRs) and to use them to increase efficiency.

Because Medicare — which insures the elderly and accounts for 20 per cent of all healthcare spending — is the largest payment source for nearly every clinic and hospital in the country and effectively a price-maker, when the ACA mandated that it should begin to shift to new "fee-for-value" payment models, the market took notice.

The largest EHR vendors, Epic and Cerner, have been significant beneficiaries, as have new companies that specialise in providing the infrastructure necessary for tapping into new government payment models, such as Evolent Health, a spin-off from the Advisory Board Company, a healthcare and education consultancy.

On the ground level, a cottage industry of start-ups that help providers maximise Medicare reimbursements through EHR usage is taking off. Seeing an immediate opportunity to harness his technical and software background, Lewis Mitchell, a developer with Mayo Clinic, a non-profit medical research group, jumped in.

"The use of information technology [in healthcare] is 25-30 years behind the rest of the commercial world," Mitchell says, emphasising the need for new value creation. "I made a conscious decision to get into healthcare because I thought the things I was doing 25 years ago, if applied to the medical community, could have a dramatic impact."

His new program, PhySoft, tackles kidney dialysis — a cumbersome and costly procedure that accounts for $50bn in annual spend and 6 per cent of all Medicare expenditures. Using captured EHR data to optimise the drug dosages administered to dialysis patients, PhySoft could trim $15,000 off the $37,000 drug and hospitalisation bill racked up by a typical Medicare patient each year.

Healthy living: First Lady Michelle Obama helps FoodCorps volunteers with planting in the White House kitchen garden

PHOTOS: REUTERS; GETTY IMAGES

Taking the medicine: free treatment in Los Angeles, below; the non-profit Children's Hospital in Aurora, Colorado, right; Sean Duffy, bottom right

In addition to Obamacare's cost-cutting pressures, its more politically controversial mandate of requiring people to obtain health insurance has forced millions of Americans to deal directly with the complexities of the healthcare system — creating opportunities for consumer education and choice.

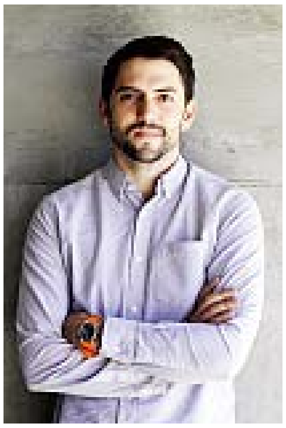
Harnessing the frustration he incurred trying to select the proper health insurance plan for himself, Noah Lang started Stride Health to demystify the product for insurance shoppers. "Even though I have a degree in mechanical engineering, to get the data I needed to [decide on the right plan] was nearly impossible to do in terms of pricing and understanding the plans," he says, underscoring the need for the average consumer to have access to better information.

On the back of an Obamacare provision that did away with traditional paper-based insurance underwriting, Lang developed a personalised recommendation engine using algorithms that guide people to the best-fitting insurance plans on the basis of their health history and pricing needs. "I started this company to change the way Americans make healthcare coverage decisions," he says.

Josh Kushner is another smart guy to have been so befuddled by his health insurance that he vowed to invent a different way of doing things. With Mario Schlosser and Kevin Nazemi he created an insurance company, Oscar, whose cartoon ads adorned New York subway carriages this spring. "The consumer never mattered in healthcare," explains Kushner, "and for the first time ever the consumer does matter, because they are making choices on their own."

As New York state's first new commercial health insurer in 15 years, Oscar is off to a fast start in its drive to become the disrupting force of the health insurance market. It has attracted 40,000 customers in just two years through the state's health exchange and was valued at $1.5bn at its recent fundraising.

'THERE'S GOVERNMENT, EDUCATION, FINANCIAL SERVICES... BUT HEALTHCARE IS THE MOST SCREWED UP'



No industry can remain immune to technology. Kushner says. "We can have engineers look at [any industry] and say 'this doesn't make any sense', and do it better. There's government, education, financial services… but healthcare is the most screwed up — it is a total train wreck."

But this wave of healthcare innovation is not limited to the US. Looking to expand his platform to help fight obesity-related diseases on a global scale — and their $2tn impact on global GDP, according to McKinsey, the consultancy — Duffy and Omada Health are incorporating in the UK.

"Obesity is the biggest health emergency — it's this generation's smoking," warns Duffy, "but it is also the biggest market opportunity."

Additional reporting by Stephen Foley

Hard work: five years on from the earthquake, many Haitians, such as this family in Port-au-Prince, continue to live in improvised accommodation

HOPE FOR HAITI
INDUSTRIES OLD AND NEW ARE HELPING THE NATION RECOVER FOLLOWING THE 2010 EARTHQUAKE

BY ANDRES SCHIPANI AND ANDREW JACK

PHOTO: GETTY IMAGES

Sabrina Intervol dons a baby-blue overall, her hair and feet covered, as she passes through an airlock to enter a sterile, white room. As a good technology professional, she carefully ensures the outer door is closed before opening the inner one, behind which more than two dozen colleagues are busy assembling electronics.

This is not Silicon Valley, nor an iPad factory in Shenzhen, but a small manufacturing facility in Port-au-Prince, the capital of the poorest country in the Americas. It assembles the Sûrtab — an Android-powered, low-cost tablet with "Made in Haiti" proudly emblazoned on its aluminium back cover.

Sûrtab is one example of how entrepreneurialism in different areas — moving from farming traditional crops such as coffee to establishing thriving businesses to produce high-tech products — is slowly making inroads in a country usually known for poverty and its humanitarian crises, particularly after an earthquake five years ago shattered the capital.

"I used to see electronics made in China, or Japan, or the United States; now we are making some here," Intervol says. "At first, people did not trust Haitians, but we have shown we can, and that makes me proud." She used to work at a car wash. After a three-month course on handling materials, she now assembles tablets.

"These workers show that Haiti can do high-tech manufacturing and assembly; that Haitians are capable of producing something that is good and cool; and that this country is not a pariah that can only export cheap apparel and mangoes," says Belgian entrepreneur Maarten Boute, one of Sûrtab's founders and its chief executive.

'THESE WORKERS SHOW THAT THIS COUNTRY IS NOT A PARIAH THAT CAN ONLY EXPORT CHEAP APPAREL AND MANGOES'

The company was started two years ago by Boute, who is also chairman of Digicel Haiti, the country's main mobile carrier, in partnership with Richard Coles of Multiwear, a Haitian Textile company — also Surtab's largest shareholder — alongside Danish philanthropists Ulla and JP Bak. It was supported with an initial investment of $600,000 and a $200,000 grant from the US Agency for International Development.

The company employs 70 people and produces about 4,000 tablets a month. Employees earn a base salary of almost $7 per day. A bonus per completed unit pushes wages to $13, almost three times Haiti's minimum of about $4.70 a day. Some hope private investment initiatives like this will mean the number of people leaving the country will fall, says Laurent Lamothe, a telecoms entrepreneur and former prime minister.

Sûrtab was based on the Aakash, a $40 education-focused tablet produced in India for poor consumers. The most basic model has a price-tag of roughly $100 and comes with WiFi, but prices rise to $285 for those with a high-definition screen and 3G phone connection. All come with seven-inch screens, and a 10-inch version is in the works.

Sûrtab — a play on "sure, it's a tablet" as a response to the scepticism of many about Haiti's capabilities — has shipped products to educational institutions in, for example, Kenya and Jamaica. Last year, socialist Venezuela ordered 10,000 of the tablets. Sûrtab has plans for the Haitian market with its "mobile classroom", a kit with tablets, a mini-server, a self-powered storage facility and education-orientated software.

"There's a real market for education, a market for people who want to support 'Made in Haiti' products and a real market for non-governmental organisations that want to have good but affordable products that support the local economy," says Boute.

The factory, he says, has capacity to produce 8,000 tablets a month with Chinese, Korean and Taiwanese parts. "At first, people thought we were not going to be able to make them; now the challenge is to sell them," explains Diderot Musset, the company's general manager. Although the main focus is education, some local companies are buying the tablets in bulk for their employees to buy in turn by monthly instalments. They are also sold in Digicel's retail outlets across Haiti. "We are trying to have more Haitians have 'Made in Haiti' tablets in their hands," says Musset.

That may already be happening. Not far from the assembly plant in Port-au-Prince's industrial park, a man is in the Rebo Expresso coffee shop sipping a latte and reading on a Sûrtab, surrounded by fellow customers sitting on sofas or wooden chairs.

"There was never a [western-style] coffee shop in Haiti before," says Gilbert Gonzales, a Haitian who studied business in the US before returning home — in another example of how business entrepreneurialism is making inroads into the country. After initially marrying into the family of the shareholders, he became vice-president of Rebo, a Haitian coffee-bean company.

"We were not sure people would leave their house or office, where they traditionally get coffee for free. But there is a need," says Gonzales, who is now exploring a franchise in the US. While his new coffee shops appeal to

'I HEARD THIS WAS A VERY GOOD BUSINESS; EVERYONE DRINKS COFFEE'

the aspirant Haitian middle class as well as expatriates and tourists, he also started a project targeted at a broader segment of the population. Rebo has developed a network of more than 100 micro-entrepreneurs: mobile street coffee sellers who operate from two hubs in the capital.

One of those sellers is Jean Jeannes, who has just returned the cart from which he earns his living after a long morning shift in the sun, selling coffee and sandwiches to passers-by. In the courtyard, dozens of identical pushcarts are lined up, each with the Creole slogan "Ti Pilon" (mortar and pestle) on the side, the symbol of ground coffee. "I heard this was a very good business; everyone drinks coffee," says Jeannes.

Each sales representative — the majority are women — is self-employed, paying on credit first thing in the morning for a cart and reimbursing when they return it from sales of the coffee and peanut-butter sandwiches. Gonzales says each seller typically earns two or three times the minimum wage. He explains that applicants must be aged under 45, be screened as healthy and then undergo a two-day training course covering hygiene, basic business skills and understanding coffee.

Gonzales' network has challenged the country's traditional coffee shops, which burn through a large sack of charcoal each week in the course of roasting the beans. By offering the drink in paper cups with lids, sugar and stirrers, Gonzales' sellers allow busy Haitians to buy better-quality coffee which they can take with them on their journey into work.

Gonzales is now focusing on securing high-quality coffee volumes at a time of slow yields and a recent infestation. "You get used to thriving in crises," he says, adding that Haitian farmers, working on small plots of land, have long failed to invest sufficiently in new plants and suitable methods. That is why his next project — if he can persuade the government to help — includes large-scale coffee farms. "We have difficulties with access to capital, infrastructure, water and electricity," says Gonzales. Yet, like many entrepreneurs in earthquake-ravaged Haiti, he is optimistic. "I see opportunities everywhere," he says.

Thriving business: Haiti's capital was shattered after an earthquake (opposite and above) but an entrepreneurial spirit is driving the country's recovery. Laurent Lamothe, former prime minister, is seen using a 'Made in Haiti' Sûrtab tablet (right). Traditional farming, including coffee bean cultivation, remains strong (below)

PHOTO: AFP/GETTY IMAGES; BLOOMBERG; REUTERS

INSIGHT

Austerity art: Venezuela's independent galleries fight back (page 46)

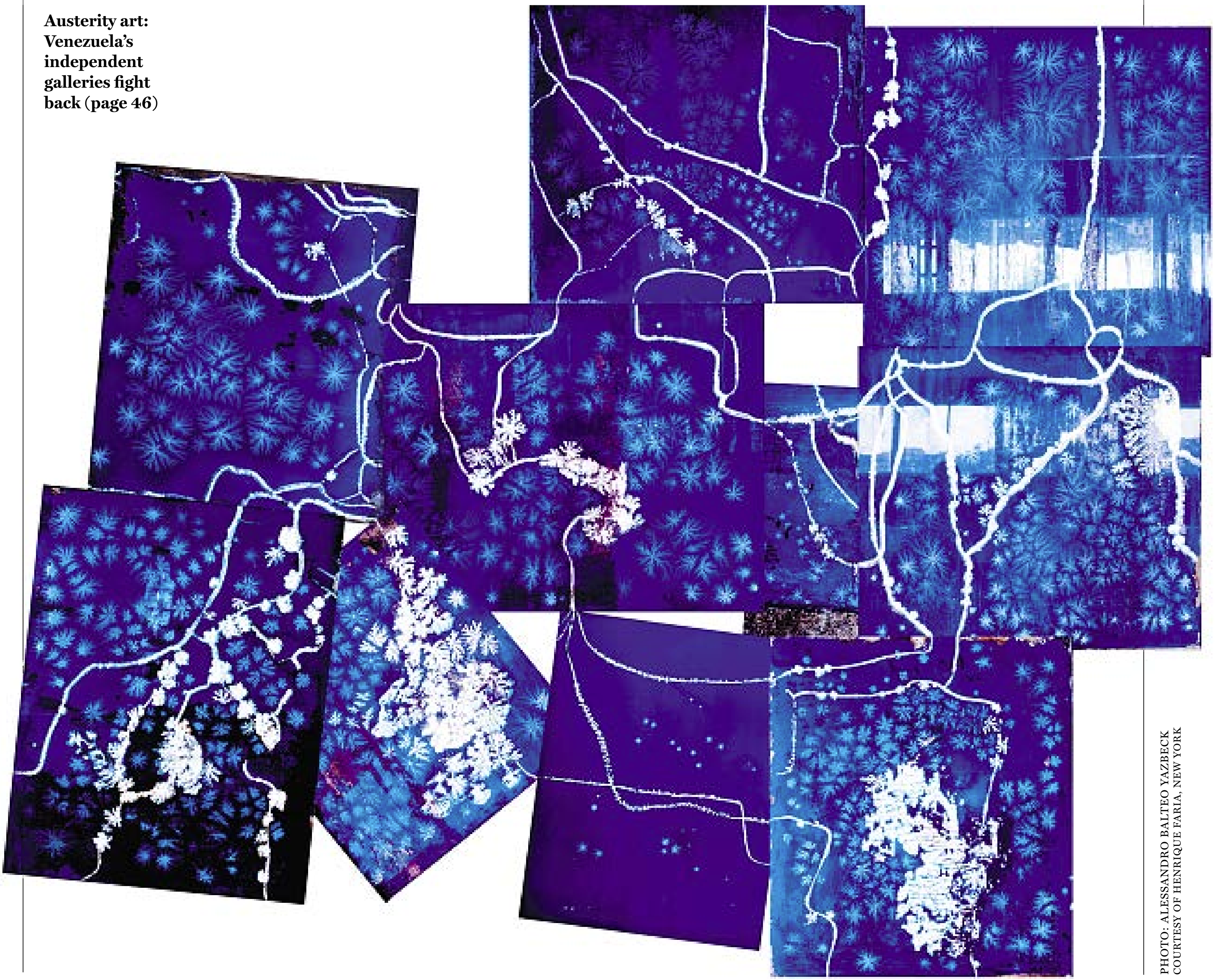


PHOTO: ALESSANDRO BALTEO YAZBECK
COURTESY OF HENRIQUE FARIA, NEW YORK

“THESE COMPANIES’ SHARES BEAT BENCHMARK INDICES BY SEVERAL EXTRA MILES”

Premiums up for grabs

BY MATTHEW VINCENT

Want to test your wealth manager’s intelligence? Or patience? Try this brainteaser. Which of the following would have proved the best equity investment in the past decade?

a) An income fund that aimed to generate at least 110 per cent of the average FTSE 100 yield;

b) A conservative growth fund that aimed to return 1.5 percentage points over the London interbank offered rate;

c) A discretionary portfolio that aimed to achieve a positive absolute return of 3.5 per cent a year net of fees;

d) Shares in companies whose entrepreneurial founders aimed to give 150 per cent, 24/7, week in, week out, putting in the hard yards, going the extra mile, pushing the, er, envelope.

If your investment professional starts furiously clicking a spreadsheet to divide 24 by 7 and multiply by 1.5, be slightly worried. If he or she smiles and says, “Good joke. Entrepreneurs, eh, what are they like? Marvellous clients,” be faintly reassured. But if the manager replies, “It’s d), as demonstrated by Rüdiger Fahlenbrach and Joel M Shulman”, be impressed. If slightly pitying. But grateful. Because knowing this can make a bigger difference to your portfolio than is widely appreciated.

“ENTREPRENEURIAL FAMILIES HAVE LONG-TERM FOCUS AND EMOTIONAL COMMITMENT”

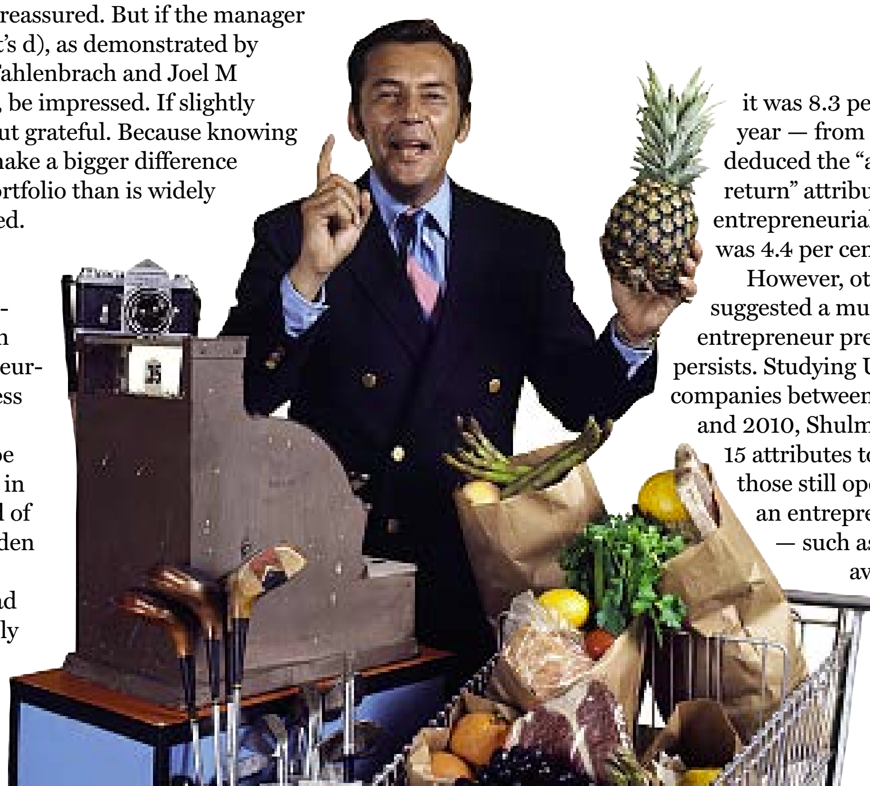


PHOTO: NBC/NBCU PHOTO BANK/GETTY IMAGES

Until recently, the added-value of an entrepreneur-led business would typically be expressed in some kind of cliché-ridden anecdote. No one had successfully quantified the return on those extra miles and pushed envelopes.

As recently as May 2008, Arthur Korteweg of Stanford University and Morten Sorensen of the University of Chicago concluded the valuations put on entrepreneurial companies — and hence the assumed investor returns — were hopelessly unreliable because they were skewed by successful companies’ financing rounds, flotations and acquisitions, or, as they put it, “problems arising from the endogenous timing of the observed valuations are substantial”. Academics, eh, what are they like?

Admirably persistent, thankfully. Less than a year later, Fahlenbrach, at Ohio State Fisher College of Business, having determined 11 per cent of the largest US public companies were still entrepreneur- or founder-led, backtested the return from their shares between 1993 and 2002. He found it was 8.3 per cent a year — from which he deduced the “abnormal return” attributable to entrepreneurial behaviour was 4.4 per cent annually.

However, others have suggested a much larger entrepreneur premium persists. Studying US public companies between 1998 and 2010, Shulman used 15 attributes to pick out those still operating in an entrepreneurial way — such as above-average ownership by key stakeholders, low expenses and long-serving key managers. Irrespective of market capitalisation, these companies’ shares beat benchmark indices by several extra miles. Over 12 years, small-cap entrepreneurial companies produced the strongest results, with a total shareholder return of 3,000 per cent. Large-cap entrepreneurial companies returned 2,400 per cent and mid caps a mere 1,800 per cent. Over the same period, the comparative S&P 500, Russell 3000 and Russell 2000 indices returned -2 per cent, 3.53 per cent and -1.25 per cent respectively.

Part of the reason for these “extraordinary premia” — Shulman puts them at 21.95-27.86 per cent a year — is the extra risk taken on. His entrepreneur share baskets exhibited considerably higher standard deviations than the indices. Korteweg and Sorensen found the beta of entrepreneurial companies — how much they amplify market moves — ranged from 2.6 to 3.

But actual investors suggest the long-term outperformance is no fluke. Robert Ruttmann, investment specialist at private bank Julius Baer, says companies run by entrepreneurial families have “a multi-generational competitive edge” thanks to their long-term focus, conservative financial management and emotional commitment.

Carmignac, the asset manager, has set up a Euro-Entrepreneurs fund to capture this threefold advantage. Its manager, Malte Heininger, says: “Entrepreneurial clients tend to be enthusiastic about other entrepreneurs and are keen to back promising, ambitious, founder-led businesses.”

For some advisers, though, this can be a problem. “There is a tendency to seek out opportunities in the asset class with which they are familiar,” admits Stephen Skelly, private wealth solutions head at HSBC Private Bank. “Our job is to encourage clients to diversify their risks.” Pushing the money back into the envelope, so to speak.

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The search for seed capital

BY JEREMY HAZLEHURST

In a trendy building in King's Cross, London, a 200-strong crowd of professional-looking middle-aged types and youngsters with fashionable beards and piercings are watching entrepreneurs make 60-second presentations about their businesses.

The start-ups include an online menswear retailer, a website founded by a former *Spitting Image* puppeteer, a luxury milkshake business run by an ex-Marks and Spencer employee and a company that streams live gigs. Afterwards, everyone mills about eating canapés, sipping beer and discussing potential deals.

This is an investment roadshow run by Crowdcube, one of the UK's biggest and, at the age of four, oldest crowdfunding websites. Along with others, including Seedrs and Crowdfunder, it is revolutionising investing into early-stage businesses.

If you thought crowdfunding was for small fry, think again. Crowdcube has raised £78m for 229 businesses since 2011, and Seedrs raised £10m in the first quarter of 2015. The Chapel Down Winery, a Kent vineyard, raised £3.9m, and in March, JustPark, a peer-to-peer parking business, raised £3.7m (see box). High-profile entrepreneurs such as Steve Smith, founder of retailer Poundland, celebrity chef Hugh Fearnley-Whittingstall and EasyJet airline founder Sir Stelios Haji-Ioannou crowdfunded their latest ventures.

Advocates of crowdfunding like to talk about "democratising investment". The bigger sites have a minimum stake of £10, but six figures are becoming more common. Two people invested £500,000 each in Chapel Down.

A fund manager at the King's Cross event, who wished to remain anonymous, has invested £250,000 across 10 businesses over the past two years via crowdfunding sites. "It is

> IT'S REWARDING TO INVEST IN SOMETHING THAT LITERALLY STARTED IN A BASEMENT

becoming a very interesting space," she says. "It is bringing opportunities to the market that weren't there before — things that are a bit more niche. It's rewarding to be able to invest in something that has literally been started in a basement. It's fun, and there is an altruistic side to it as well."

She has invested in sectors she would not have considered before, such as biotechnology, and in Zero Carbon Food, a company that grows food in tunnels under Clapham Common in south London.

Another fan is Gavin Jordan, a corporate finance partner at EY, the professional services firm. He has

> YOU HAVE A READY-MADE GROUP OF PEOPLE YOU CAN POLL ABOUT NEW IDEAS

invested "between £300,000 and £400,000" in more than 80 businesses through crowdfunding, mostly through Seedrs, over the past two years.

Part of the appeal, he says, is convenience. "It's practical to be able to play the investors' videos on the iPad when I want to," he says. "That works far better than having to go to a presentation during the day, read something on paper or have a face-to-face meeting."

Businesses love crowdfunding too. "You have a ready-made group of people you can poll about new ideas, or ask them to try a new website," says Benita Matofska, founder of Compare and Share, a comparison website for the sharing economy that has raised more than £250,000 in two crowdfunding rounds. "You also have a group of evangelists who have a vested interest in telling everybody about the business."

UK taxpayers who invest via crowdfunding can take advantage of the enterprise investment scheme, which gives tax relief on investments in start-ups, and the seed EIS, which does the same for very early-stage businesses.

The schemes allow investors to "shift some of the risk to the taxman", says Sarah Buxton, a tax expert at law firm Bryan Cave. UK taxpayers get upfront income tax relief of 50 per cent on investments in eligible businesses, and capital gains tax relief on profits.

If the business fails you get loss relief, which for a 45 per cent taxpayer means you only sustain a £2,750 loss on a £10,000 investment under the seed EIS, says Buxton. "It really does shrink your risk considerably. It is a very tax-efficient way to invest."

All fairly straightforward, but what are the drawbacks? First, the returns are not stellar. Even a £500,000 investment in JustPark would provide 2.1 per cent equity in a business that so far has no revenues — and could be diluted by future investment. Fees could be an issue — there are several layers and Crowdcube's venture fund takes 20 per cent of the profit if the investor makes more than a 7 per cent return.

Also, as these are early-stage businesses, investments are risky. "You need to diversify because you need to be aware there is a high chance any investment will go under," says Jonathan Bell, chief investment officer of Stanhope Capital, a global investment office. "You want to have 10 or more in your portfolio before the odds start looking good." He adds that people should only invest money in crowdfunding that they are prepared to lose.

Growth sector: Richard Ballard, co-founder of Zero Carbon Food, opposite, and one of its products, above

INVESTORS BOOK SLOTS IN SHARING ECONOMY

JustPark, previously known as ParkatmyHouse.com, allows drivers to locate parking spaces that lie vacant during the day. Space loaners include homeowners with empty driveways, as well as hotels, schools, churches and pubs. It is free to list empty spaces and the company handles payments itself via users' bank accounts or on PayPal.

The company reportedly has 500,000 drivers choosing from 100,000 parking spaces across the UK, with plans to expand internationally.

It taps into the sharing economy, invoking the spectacular success of US start-up Airbnb, which allows people to rent out rooms as well as flats, houses and castles, and whose value is approaching $20bn.

JustPark is the brainchild of Anthony Eskinazi, who played chess for Great Britain and taught himself to code.

Unusually for a crowdfunded start-up, the company arrived at the platform with existing backing from an incubator fund run by German carmaker BMW and European venture capital firm Index Ventures.

The entrepreneur had targeted a £1m fundraising for 4.76 per cent of the company. But 2,903 investors gave their backing, the largest individual sum being £500,000, and the fundraising closed at £3.7m for 15.61 per cent of the equity.

John Kenchington

> SEED INVESTING AT AN EARLY STAGE CAN HELP BRING IN OTHER CAPITAL

Direct stakes in bright ideas

BY SARAH MURRAY

Since 2009, private schools catering to low-income communities in India have been able to secure credit when they want to hire teachers, increase classroom space or buy computers. But the organisation providing these loans is not a foundation or charity — it is a for-profit company, and the kind of enterprise into which a growing number of philanthropists want to put money.

The loans from the Indian School Finance Company not only help schools educate more students, raise teaching standards and make greater use of technology, but also put them on a path to financial stability, potentially making them more appealing to commercial lenders when they want to expand further. Philanthropists wanting to address an issue such as lack of access to education in developing countries might once have written a cheque to a foundation or non-profit organisation.

This is changing rapidly as a new generation of entrepreneurial donors recognise that private capital is also a powerful tool when it comes to tackling social and environmental issues.

"This is definitely one of the biggest growth areas in philanthropy," says Eric Kessler, founder and managing director of Arabella Advisors, a philanthropic services provider.

He sees a generational shift taking place, with the philanthropists who are now inheriting money and the young technology entrepreneurs who are cashing out with billions being "wired differently from older philanthropists".

These individuals, he says, realise that to accomplish their goals — whether in improving women's health or eradicating malaria — the non-profit sector alone does not have the resources to provide all the solutions.

"Increasingly, they recognise the opportunity both to write cheques as philanthropists and address other problems more appropriately through a for-profit investment," says Andrew Kassoy, co-founder of B Lab, a US-based organisation that seeks to harness business as a means of solving social and environmental problems.

While some are using private capital to do this, others are doing it through their family foundations. Traditionally, foundations have used their donations to advance their charitable missions. Today, however, many are turning to the funds in their endowments to make "mission-related investments" in for-profit businesses whose activities match their goals.

"Nowadays when philanthropists think about how to use their capital, they have many more tools than they had in the past," says Michele Giddens, a founder of Bridges Ventures, a specialist fund manager dedicated to

Enterprising investments: the Indian School Finance Company, above, and B Corp-certified d.light, a solar lighting company, left and above left

PHOTOS: THEO STEEMERS/D.LIGHT DESIGN

sustainable and impact investments.

Philanthropists need to be careful, however, to select the best vehicles for their investments in entrepreneurial businesses. For experienced investors and venture capitalists, direct investment is one possible route. When it comes to early-stage enterprises, these individuals can provide seed funding or become angel investors. "Doing some seed investing at a very early stage in a business with high impact potential can help bring in other capital," says Giddens.

Groups such as Toniic and Investors' Circle are springing up to support these types of investors. The groups highlight potential deals for members and help like-minded peers share information and resources.

Meanwhile, finding enterprises with a track record is becoming easier, as ratings systems emerge. For example, the rigorous assessment processes and accountability required of B Corp-certified companies can give individuals confidence they are investing in credible high-impact enterprises.

Even so, for philanthropists with less experience, direct investing can be a challenge. After all, for an individual to conduct extensive due diligence on a company and track its performance — particularly if it has operations on the other side of the world — is tough without experience, networks and resources. "It's no different from any other direct investment — you need deep expertise to be a successful direct investor," says Kassoy. "It requires more than writing a cheque."

> "IT'S NO DIFFERENT FROM ANY OTHER DIRECT INVESTMENT — YOU NEED DEEP EXPERTISE"

For those without the expertise and experience, a range of intermediaries have emerged in recent years. First, philanthropists can donate to non-profits, such as US-based Acumen and Endeavor, that invest philanthropic dollars in enterprises they believe can provide essential services, such as low-cost healthcare or access to clean water.

More recently, the number of specialist advisers and fund managers — such as Sonen Capital, Imprint Capital and Bridges Ventures — has expanded, giving individual philanthropists and families the opportunity to build investment portfolios made up of companies that are addressing social and environmental challenges.

Banks are catching on, too. "Financial services institutions are starting to create opportunities, mostly because it's being demanded by their high-net-worth clients," says Kassoy.

In fact, in the past few years, it has become far easier for philanthropists to use some of their capital to support entrepreneurs. Of course, when investing private capital in for-profit enterprises, the tax deductions cannot be claimed as they would with a charitable gift. And, as many argue, this does not mean individuals should abandon their philanthropic donations.

After all, not every social and environmental challenge lends itself to market solutions. However, as philanthropists look to make a bigger impact with their money, there is now a broader range of options. "Sometimes the right answer is a donation and sometimes it's a for-profit investment," says Kassoy. "But philanthropists have come to have a more diverse view of what the opportunities are to solve big problems."

Smart thinking in action

BY MORGAN MEAKER

Weili Dai is co-founder of Marvell Technology Group, a global semiconductor company that she started with her husband, Sehat Sutardja, 20 years ago.

When Dai moved from China to the US at 17, she spoke no English. She took a summer job at Bell Labs, the research company, after she had graduated in computer science from the University of California, Berkeley. Dai subsequently worked in software development at Canon Research Center America, the information technology company, before she co-founded Marvell in 1995. Today, she is president of a company that counts Apple and Google among its clients.

"I started thinking about the Marvell concept after I met my husband. We are both technology people," she says. "I encouraged him to get a PhD. I said, down the road, when it's the right time to start something I'll be there to support him and do it together. I believe entrepreneurs need to have good experience and a technical foundation. Then you can start your own company. That's when you can truly be creative and have the freedom to create whatever innovation or product you like.

"Collaboration is a must. Today, it's no longer about standalone products. It's about developing technology and working with the ecosystem. You have to collaborate to make smart solutions. We're in the era of smart lifestyle. Moving forward, [our vision for the future] is the "Smart Me" device, which should combine the smartphone with wearables, for example the smart-watch and smart glasses. All this I believe should be combined in one device.

"When we started the company we always had a vision that we want to be the technology leader and we want to drive technology to the masses.

"COLLABORATION IS A MUST. TODAY, IT'S ABOUT WORKING WITH THE ECOSYSTEM"

If we collaborate with partners and customers, and all work together to accomplish more, that's a great thing. In the early days, I even partnered with Intel. Everyone knows Intel. We pushed the industry together. You co-operate with the competition. I focused on the success of the industry overall.

"Each stage [of Marvell] has [had] its own challenges. When we had just started, people looked at the risk. But we are crazy entrepreneurs — we believed in ourselves. Whenever anyone shows me the risk, I ask them to flip the page and take a look at the [other] side — I read this as opportunity. They think I'm crazy because start-up companies are very risky, but when companies are big, there's still a risk. People say, now you are big players, how do you manage the risk of losing market share? As a big player, how do you see growth? This is why a company like us is always thinking ahead. In the last few years, I've been driving our business and

strategy towards the ecosystem play. The technology has got to be user-friendly and it's got to be fashionable. Collaboration is going to be key.

"Being a co-founder, for me it's such a joy. I was born in Shanghai and grew up in the French quarter. I used to play basketball for the district. Boy, it's all about teamwork. Basketball is a fun sport, but at the same time it very naturally taught me to be a team player. To me, team sport is a lot more meaningful than individual sport. If you apply that to the business world, [being] a co-founder is more fun than just a founder. In my case it's even more exciting because the co-founder is my husband! On top of that, our skillsets are very complementary.

"[If I could give one piece of advice to my younger self] it would probably be that you need to delegate more. I look at my schedule and think, you probably should have a recipe to spend more time enjoying life and vacations.

"I always believe women are just as capable as men. Now that this new era of technology is part of our lifestyle, women in technology are even more important. The opportunity ahead of us is huge. Women should get more involved in technology because we have the responsibility to push the world of smart technology forward — our natural talent is very much needed. If we are more involved, we can make the technology more beautiful and easier to use.

"For entrepreneurs, you must be passionate, whatever your project or idea. You need to be fully committed and believe in yourself. In the technology field, you must think about the lifestyle and the smartness that you need, [particularly] in this era of the smart lifestyle. Try to go with the simplest approach possible. The moment you think [in a way that is] too complicated, you know technology — it's going to be harder to deploy and take off. Keep it simple and smart. Do something that will have an impact and make people's lives smarter and better."

Led by lifestyles: Weili Dai, above, believes in a simple approach to bring technology ideas to fruition

PHOTOS: REUTERS; GETTY IMAGES; BLOOMBERG

CORRESPONDENT
VENEZUELA

Art in the age of austerity

BY ANDRES SCHIPANI

As the afternoon drinks start to flow, the art scene in eastern Caracas resembles many similar exhibitions held in London or New York. Gallerists talk up the photographs on sale — "in the low, thousands of dollars" — as potential buyers circle, glasses in hand.

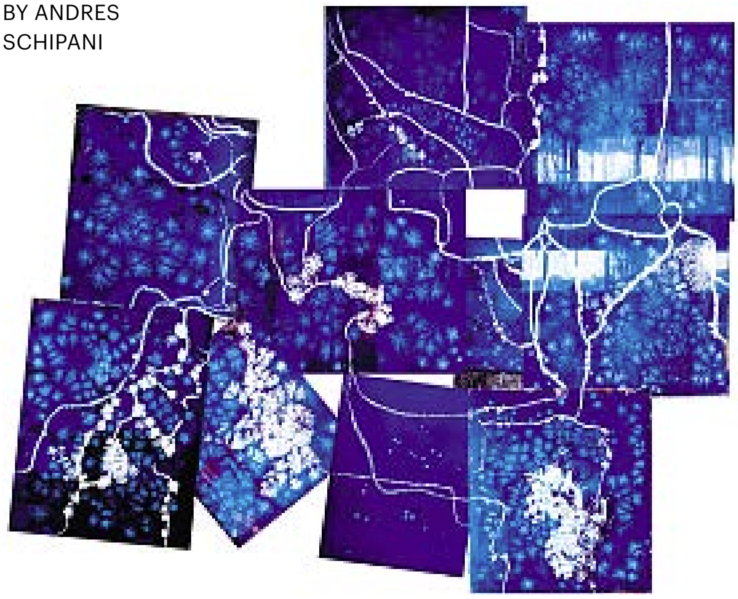
The photographs by local artist Juan Toro Diez reflect the current volatility of politically polarised Caracas. His works are artistic representations of the waves of anti-government unrest that left dozens dead more than a year ago. Among other things, Toro Diez photographs Molotov cocktails and empty tear-gas canisters.

Part of an exhibition titled "Country Risk Index", the photographs highlight how the art scene in oil-rich Venezuela has adapted to a new reality in a country ravaged by an economic, political and social crises as shortages of everything from toilet paper to art supplies affect the everyday life of Venezuelans — even those in the art scene.

While the oil money was flowing, the Venezuelan art world was the envy of many of the country's Latin American neighbours. The capital's inhabitants grew used to living among works by Alexander Calder, Fernand Léger and local artists such as Jesús Rafael Soto and Alejandro Otero.

"The Museum of Contemporary Art was a jewel," says Miguel Miguel García, a respected curator and founding member of the national art gallery. "The first painting by Mark Rothko to set foot outside the US came to Venezuela. Private collections included works by Alberto Giacometti, Paul Klee and Francis Bacon."

He says, however, that everything started to change when Hugo Chávez, the late president, rose to power in the late 1990s. Critics suggested the once-thriving visual arts scene had started to favour the government, and arts and culture became marginalised in the wake of more populist priorities. Feeling the pressure, a number of curators and arts professionals emigrated, swiftly followed by some private collections.



Cultural beacons: works by, clockwise from above, Alessandro Balteo Yazbeck, Carlos Cruz-Diez, Emilia Azcárate and Juan Toro Diez

"There are only a few survivors left," says Miguel García. "There is still a market, but the big private collections have left the country."

Moreover, as Venezuelan artist Alexander Apóstol wrote earlier this year: "The scarcity of incentives for creativity and local production also led to an enormous diaspora."

Yet as the established arts scene moved abroad, it created space in its wake for a network of smaller galleries and private spaces that have graduated to become the city's cultural lynchpins by supporting the work of the dwindling number of contemporary Venezuelan artists who remain.

> "WE FEEL LIKE ADVENTURERS, FIGHTING TO MAINTAIN THE PRESENCE OF COLLECTIONS THAT HAVE DWINDLED"

"Venezuela was a regional superpower when it came to the plastic arts, and now it is the galleries assuming the responsibility, occupying the place museums used to have, because their situation is pathetic," says Nicomedes Febres, director of the gallery D'Museo, where Toro Diez is exhibiting his photographs.

"We feel like adventurers, fighting to maintain the presence of art collections that have dwindled," adds Luis Miguel La Corte of the gallery Espacio Monitor, which sells works by renowned Venezuelan artists such as Carlos Cruz-Diez.

"We cannot replace the museums, but we try to provide a breath of fresh air," he says.

Carmen Araujo spent 10 years working at the country's national gallery. She left in 2004 "when policies started to change things within museums". As policies changed, dynamics changed, she says. After several projects, she started one of Caracas's most-respected galleries, in a former coffee plantation on a hill overlooking the city.

"With the current situation of art institutions, small galleries like us have an increasing responsibility when it comes to promoting the arts," she says. Her words are echoed by Miguel García: "Venezuela used to be known for three reasons: the liberator Simón Bolívar, oil and museums. Now, galleries are the cultural resistance."

The clusters that have emerged or consolidated as a consequence, such as Centro de Arte Los Galpones — hosting galleries such as Oficina #1, Espacio Monitor and D'Museo — and the Hacienda La Trinidad — with the Carmen Araujo Arte gallery — stand as two cultural oases in Caracas.

PHOTOS: EPA; JUAN TORO DIEZ; ALESSANDRO BALTEO YAZBEC, EMILIA AZCÁRATE COURTESY OF HENRIQUE FARIA, NEW YORK

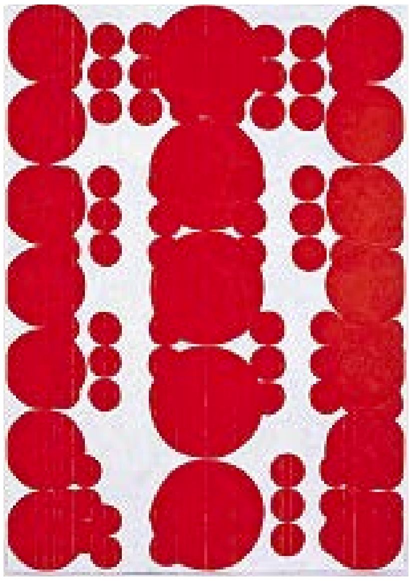
But the scene is still struggling to survive, let alone thrive.

"If we were doing what we do here in another economy, we would be in a totally different situation," says Suwon Lee of Oficina #1, a gallery focused on contemporary Venezuelan art. "There are exceptional artists, but a lot of them have left the country while collections and collectors have shrunk."

Restrictions on foreign currency holdings and allocations mean it is hard for local galleries to showcase domestic artists in places such as São Paulo or at regional art fairs, including Buenos Aires or Bogotá, let alone international events such as Art Basel Miami Beach.

"The most serious problem we have is isolation," says Araujo. "The country is insecure, so curators, gallerists or critics don't want to come. And given the economic situation and the lack of state support, we cannot really afford to attend many international art fairs, like the Colombians, Mexicans or Brazilians, who are going places."

Tired of the situation at home, last year Henrique Faria decided to close his gallery in Caracas and focus on his New York branch, where he continues to showcase Venezuelan contemporary



artists, such as Alessandro Balteo Yazbeck and Emilia Azcárate. "Everything was an uphill battle [in Caracas]," he says.

"Here, I continue working with Venezuelan artists, who are exceptionally good, because the gallery's mission is not only to work with art but also portray what is going on in Venezuela, in every sense," Faria adds. "We may be a gallery located in the Upper East Side, but our soul is Venezuelan."

> PEOPLE STILL SEE ME AS A MAN WHO KNOWS BUSINESS; THIS IS GOOD FOR ME

Political maverick

BY HENRY FOY

Janusz Palikot made his fortune as a political entrepreneur. Today he is struggling as an entrepreneurial politician.

A self-made drinks millionaire who built the world's 10th-largest vodka producer in the 15 years after Poland emerged from under communist rule, Palikot dropped the alcohol a decade ago in a bid to become the country's leader.

In the years that have followed, Palikot has waved a dildo and a gun at a press conference, used a butchered pig's head as a prop during a television interview and threatened to smoke a joint in the country's parliament — much to the chagrin of Warsaw's political establishment.

At the last general election in 2011, his party won 10 per cent of the vote, making it the third-largest party in parliament. But, he admits, his attempt to seize the political initiative in a similar fashion to amassing market share as a liquor baron has not followed the same trajectory.

"Only today do I really understand politics," he says, sipping green tea in his bright, airy apartment. "I think that the idea that I understood it 10 years ago is wrong."

Palikot is a little under the weather — a side-effect of his campaigning for this month's presidential election. He admits he has no chance of unseating incumbent Bronisław Komorowski, but the ballot is an important aperitif before the general election in October.

His Warsaw apartment is on a natty, well-heeled street fittingly equidistant from the parliament building and Plac Zbawiciela, a square so renowned for the liberal, left-leaning twentysomethings that flock to its bars and coffee shops that it has been nicknamed "Plac Hipstera", or Hipster Square.

But like the giant rainbow flower sculpture that arches over the centre of the square and has been burnt at least four times by conservative protestors angry at the gay rights message they say it conveys, Palikot finds himself wrestling with an electorate that appears unready for his countercultural ideas. He has campaigned against teaching Catholicism in state schools and champions gay rights. He has called for the relaxation of drug laws and abortion rules. He is the most vociferous candidate to openly support Poland joining the euro.

"Everybody knows who Palikot is, in terms of the church, the gays and so and so. I had to very quickly build a reputation," he says, when asked about the enduring image of him waving the dildo in an attempt to mock the right-wing opposition. "Of course [my actions are] coming back at me now.

"My mistake in politics was that I developed a position too quickly. I was from business; I did not calculate politically," he says. "[In business], the winner is the winner: you finish something. In politics you must be careful. You must wait your time. In politics, you must block others, and then do your thing."

Palikot entered business as a 20-year-old student in 1984, and four years later was a millionaire thanks to the success of his company, which sold wooden pallets for liquor bottles. But Poland's political *enfant terrible* did not study management. Instead, he chose philosophy and his living room is full of piles of books by Aristotle and Søren Kierkegaard, rather than works by Jack Welch or Warren Buffett. But he says his entrepreneurial background is a big asset to his radical agenda.

"People still see me as a man who knows business; this is good for me," he says. "What people think about me, feel about me, is that I am not in politics only to be in politics. If I have the power, I use it to change something.

"The spirit of politics and business is similar. You can be a creator in both," he adds.

After Poland became a democracy in 1989, he moved into the production of alcohol, and by 2005 he was running the largest flavoured vodka producer in the country, as well as the biggest wine importer. He also had 65 per cent of the domestic market for sparkling wine.

Having dipped his toes into small local issues and having supported the

"THE SPIRIT OF POLITICS AND BUSINESS IS SIMILAR. YOU CAN BE A CREATOR IN BOTH"

Campaign trail: Janusz Palikot in March, opposite, and in 2011, above. His party, below, protesting in 2012 against Poland's signing of the Anti-Counterfeiting Trade Agreement

publishing of some political books, the entrepreneur was approached in 2004 by Donald Tusk, leader of the Civic Platform party and soon to be prime minister, to join his party.

That convinced Palikot to sell his businesses and run for office. "I believed I was the only man that understood business in politics, and could change the structure of our administration," he recalls.

A successful stint as Civic Platform's pro-business face followed, and Palikot ran a commission set up by Tusk to streamline the country's bureaucracy.

But as Tusk began to shift his party to the left, and Palikot's antics brought infamy rather than popularity, the liberal firebrand was jettisoned from the ruling party.

Today, running his own caucus, he is toning down the controversy a little. The unruly mop of brown, curly hair that went with his unpredictable, zany character has been shorn off in favour of a clipped, smarter grey cut.

But he is still the only real alternative for young liberals to the centre-right parties that have dominated Poland's politics for the past decade.

"If have the opportunity to debate on TV directly with Mr Komorowski, then I am the winner. Without a doubt," he says.

Palikot, who has the support of between 2 and 4 per cent of voters for his presidential campaign, believes his party can gain 12 per cent of the vote in the parliamentary election, cementing its third position.

He says he has already suggested to Ewa Kopacz, prime minister and Civic Platform leader, that he could be prime minister if her party comes second and needs his support to form a majority.

Her response, he admits, "was very short". But, folding his arms, Palikot maintains: "I will be prime minister in the next five years, perhaps even this year. Why could I not be?"

PHOTOS: ARTUR WIDAK/NURPHOTO/CORBIS; BLOOMBERG; EAST NEWS/POLARIS/EYEVINE

DEBATE
ENTREPRENEURIAL CULTURE

Asia embraces the start-up

BY EMMA BOYDE

Asia may be at a watershed in wealth creation. Instead of younger generations joining family businesses, there are indications that a western appreciation of entrepreneurs has become entrenched in the east.

It is easy to see why. In China, for example, Jack Ma, founder of ecommerce company Alibaba and one of the wealthiest men in the country, is a household name. He is perhaps even more admired in his country than western counterparts such as Mark Zuckerberg, founder of Facebook, or Jeff Bezos, founder and chief executive of Amazon, are in theirs.

“There are almost 4.5bn people in Asia, so generalisations are dangerous, but advancements in technology and access to information as a result have changed things dramatically,” says Tej Kohli, an Indian technology entrepreneur, billionaire and philanthropist.

He points out that a large proportion of the population across Asia now have smartphones and are simply more aware of opportunities available elsewhere. “Fewer people want to go into the family firm, because their eyes have been opened to the opportunities,” he says.

Are they right to dream of setting up on their own? Academics are unsure.

“Where does growth come from? To be honest, I don’t think we have firm evidence that entrepreneurship as such is what creates the most value,” says Morten Bennedsen, professor of family enterprise at Insead, a business school that has campuses in Paris, Singapore and Abu Dhabi.

He adds that 90 per cent of companies worldwide do not survive more than 10 years. “It’s very easy to say that we have to spend a lot of money on entrepreneurship, but I don’t think there’s evidence for it.”

Yupana Wiwattanakantang, associate professor at NUS Business School at the National University of Singapore, agrees, adding: “You don’t see start-ups that have already died. Most of the time you only see the successful ones.”

> “THERE ARE CULTURAL DIFFERENCES AND THESE ARE ABOUT FAMILY VALUES”

Even in the US, where entrepreneurs have always attracted a lot of attention, there are doubters in the academic ranks. Andrew Keyt, president of the US chapter of the Family Business Network and executive director of the Loyola University Chicago Family Business Center, says: “I do think that we [in the US] tend to over-romanticise the start-up and the big liquidity event, and lose sight of the challenge of creating long-term sustainable value.”

However, while the academics may be unconvinced, the enthusiasm for following the western start-up model is growing, says Kohli. “The west is producing lots of exponential entrepreneurs and the east is trying to catch up and follow the west.”

Kohli believes that in his area of expertise — financial technology and harnessing big data — “the opportunities that exist today in Asia far exceed those in the west”.

Budding Asian entrepreneurs face certain headwinds, however, such as access to capital.

“There is no doubt that it is easier for entrepreneurs to access funding in the west,” says Kohli, adding that in India most entrepreneurs are self-financing, borrowing money from friends and family.

Prof Wiwattanakantang also points to the weaker legal institutions in many Asian countries, which mean entrepreneurs and those who fund them run greater risks. “We know from research that, in countries with weak

> THE WEST IS PRODUCING LOTS OF EXPONENTIAL ENTREPRENEURS AND THE EAST IS TRYING TO CATCH UP

Figures to follow, clockwise from far left: Mark Zuckerberg, Jeff Bezos, Jack Ma and Tej Kohli

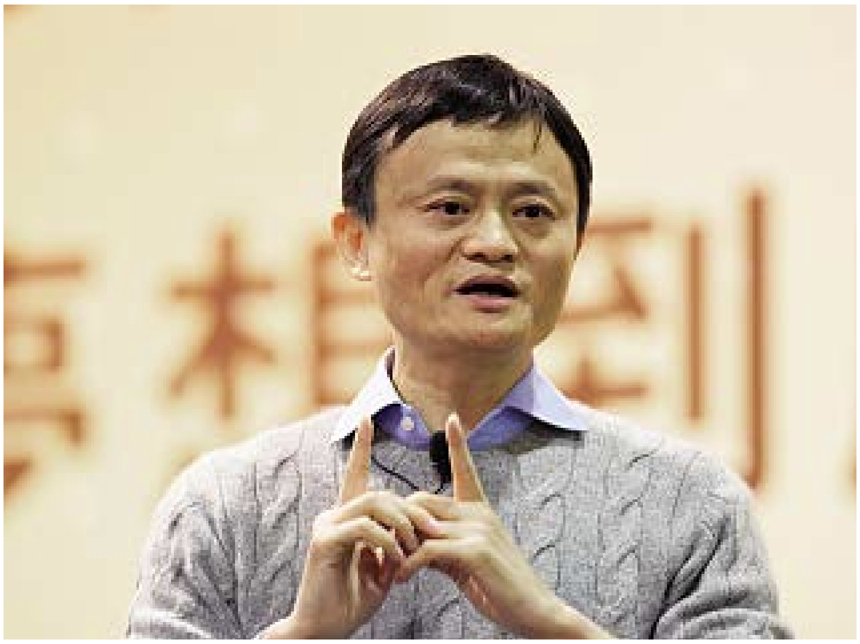
legal systems, it is hard to get external finance," she says.

Stronger family ties could also hold back some Asian entrepreneurs, say academics. "There are cultural differences and these differences are about family values — in Asia, the family culture is stronger," Prof Bennedsen says, adding that for Asian children it is a "big thing" not to obey their parents, which makes it harder for those offspring to tell their parents they do not want to join the family firm.

Things are changing, though. Prof Bennedsen says Asian students in the programmes he teaches in Singapore have often been to secondary school in the west, as well as university or graduate school.

The prizes for growing a successful business can be large. Kohli, who was born in Delhi in 1958 to a father who was a journalist and an economist, says he now has a private plane, a fleet of luxury cars and homes in the UK, Spain, India and Costa Rica.

And countries such as China believe the gains from the growth of an entrepreneurial culture could be felt at a national level too. At the beginning of this year, China's premier Li Keqiang told the World Economic Forum in Davos that "mass entrepreneurship and innovation" would ensure that China's economy would avoid a hard landing. He was still on message in March when he promised that the government would



PHOTOS: BLOOMBERG; AP; AFP/GETTY IMAGES

He recalls that one western-educated Chinese student in his class did not want to go back to help run his parents' shellfish factory in China and was setting up his own business on a clandestine basis. The student hoped that when he had built a business as big as his family's, he could let his father know, and avoid having to return.

continue to make it easier for people to start their own businesses.

If China is successful in its efforts, it could soon have a nation of entrepreneurs trying their hand at business. Prof Bennedsen is right to warn that the vast majority of them will fail, but the shift in culture hopefully will mean they will simply try again.

BOOK REVIEW
ONCE UPON A TIME IN RUSSIA

Tales from the wild east

BY DANIEL BEN-AMI

Russian oligarchs, in the popular imagination, are often seen as exemplifying the worst qualities associated with wealth. They are frequently linked to ostentation, corruption and even outright gangsterism.

The reality, of course, is more complex. Oligarchs emerged in the 1990s alongside the tumultuous transition to a market economy that followed the collapse of the Soviet Union. That does not excuse all their actions, but it does help put them into context. The more recent generation of wealthy Russians seems anxious to avoid the gross excesses of some of its predecessors.

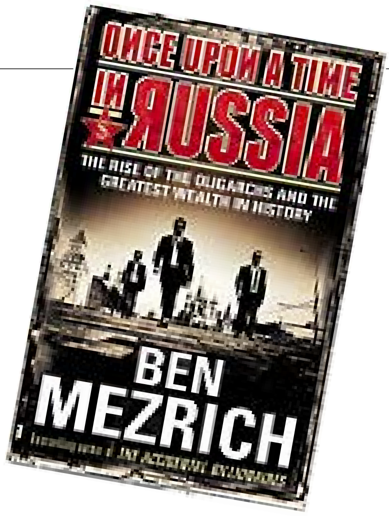
Once Upon a Time in Russia tells the story of the Russian oligarchs by focusing on two of the leading figures from 1994 onwards. Boris Berezovsky went from a career as a mathematician to making a huge fortune, largely as a result of gaining control over former state assets. He was also a close ally of Boris Yeltsin, the first president of the Russian republic, and an early supporter of Vladimir Putin, the current president. However, Berezovsky died in mysterious circumstances at his home in Ascot in the UK in 2013 after a dispute with the Russian authorities and losing much of his fortune.

Roman Abramovich is the other high-profile figure in the tale. The senior school dropout started his career by running a toy company before making his fortune in the trading and transportation of oil. He was an early protégé of Berezovsky before famously falling out with him. Abramovich was the victor when the two tussled in an English court in one of the most expensive legal cases in history.

Losing battle: Boris Berezovsky outside the High Court in 2012 following his case against Roman Abramovich

PHOTO: CHARLIE BIBBY

> THIS IS ALSO THE STORY OF VLADIMIR PUTIN'S RISE TO LEADERSHIP



There are many secondary characters, but in a way, implicitly at least, this is also the story of Putin's rise to leadership in Russia. First as prime minister and then as president, he succeeded in taming the power of the Russian oligarchs in the early 2000s. They were allowed to keep their wealth on the strict condition they accepted his government's authority.

Ben Mezrich relates the story in the form of a true-life novel. The bestselling author has used the device before, including in *The Accidental Billionaires*, which provided the basis for *The Social Network*, the Hollywood film on the creation of Facebook.

Mezrich uses interviews, first-person sources, court documents and newspaper accounts as the basis for his narrative. In many cases he imagines what the characters would have said to each other, what he calls "recreated dialogue", while he acknowledges "settings have been changed, and certain descriptions have been altered to protect privacy". This approach has some advantages as well as considerable disadvantages.

The clearest benefit of the approach is that it makes the story more accessible. It is easier to grasp the main elements of the narrative and get to know the protagonists.

Sometimes it also provides insights that are harder to glean from factual accounts. For example, the willingness of the Russian authorities to sell state assets at such knockdown prices in the 1990s can seem crazy in retrospect. Even the most avid advocate of privatisation is likely to blanche at the memory. But it becomes a little more understandable once the mindset of the Russian authorities at the time is understood. The government was experiencing substantial financial difficulties and, at least according to Mezrich, feared the return of communism.

An important disadvantage of the approach is that inevitably some details are imagined rather than real. Mezrich cannot possibly know for certain what Putin was thinking at a particular time or even some of the dialogue related in the book. Even assuming Mezrich did exemplary research — and no doubt he did an immense amount of work on the project — there is a degree of poetic licence. Indeed, the "Once Upon a Time" part of the book's title could itself be taken as an acknowledgement of the work's partly fictional character.

It should also be recognised that easy accessibility has a downside. Fully understanding the transition from the Soviet Union to a market-orientated Russia means examining a host of cultural, economic and social factors. Even if it were possible to insert a microscopic spy drone into President Putin's private office it would not reveal the whole story. Russia's unprecedented transition is too complex to be reduced to a straightforward narrative. Ⓦ

Once Upon a Time in Russia: The Rise of the Oligarchs and the Greatest Wealth in History, by Ben Mezrich (William Heinemann, 2015). £18.99/$28.00

The reviewer is the author of Ferraris for All *(Policy Press, 2012)*

THE QUOTE

"Berezovsky realised that he had miscalculated again. First, he had put his money, talent and media behind Putin, helping to put him in the Kremlin. Now he was facing off with a force of nature in a battle he might already have lost."

CAR REVIEW
ROLLS-ROYCE GHOST

> SEEKING THE CACHET OF THE CAR TOO EARLY HAS HASTENED MANY A CORPORATE DEMISE

Potent symbol

BY ROHIT JAGGI
PHOTOGRAPHS BY STEVE FRANCK

As a sign that you have made it, a Rolls-Royce is hard to beat. The tall radiator grille and bluff front comprise an unmistakable, unique and very public symbol of success.

Ignoring the fact that Ford of Europe used the phrase “the car you always promised yourself” for the definitely further downmarket Capri (itself a low-rent version of the US Mustang), a first Rolls-Royce is a tangible marker that mastery of your field, whether it is business or rock music, has been rewarded by financial success.

View a slideshow of Rohit Jaggi driving the Rolls-Royce Ghost at ft.com/wealth

However, a first Rolls-Royce is also one of the classic signs cautious company doctors look for when searching for overstretch. Many entrepreneurs have sought the cachet of its potent symbolism too early – with the result that the car, instead of cementing a business success, has hastened a corporate demise.

So while a Rolls-Royce is a sign of having arrived, it can also be a portent of an imminent and ignominious departure from the business scene. The likelihood of that being the case is raised by an increasing shift in ownership of the cars from old wealth to impatient new money.

The dominant connotations of wealth and fortune inform some of the components lovingly stitched into each Rolls-Royce, but they also serve to obscure its strengths as a motorcar, of which there are many, particularly with a model such as the Ghost. Smaller than the Phantom, whose bulk is intimidating on narrow roads, and more practical than the two-door fastback Wraith, the standard-wheelbase Ghost is the car I would choose to drive myself, rather than be driven in.

The Ghost, now in its second generation, is a big car — almost as long as my dainty London mews house is wide, lending a certain comedy

Eye-catching: from the Spirit of Ecstasy to the neo-brutalist looks, the Ghost attracts attention

aspect to parking it outside my front door. And it weighs a colossal 2.3 tonnes before adding fuel or humans. The well-fed waistline of the car is also high, so that nearby small children and low-lying sportscars tend to disappear from the driver's view.

Technology rides to the rescue, though. From parent company BMW comes a system that provides what military types call a "God's-eye view" of the areas next to the car, using cameras mounted around the vehicle. That and the normal rear camera make not only reversing but also manoeuvring next to kerbs and other cars much less intimidating. And cameras facing sideways out of the long, long nose are useful when navigating the arched entrance to my mews in order to avoid squashing fast-moving pedestrians.

> "THE RIDE AT HIGH SPEEDS IS SUMPTUOUS BUT CAN BE LESS THAN STATELY OVER POTHOLES"

Given the mass and bulk, the car handles densely packed city streets pretty well, once I get over worrying about cyclists scratching the two-tone paintwork as they squeeze past its width. The up-lit Spirit of Ecstasy standing proud of the grille provides me with a visual reference to assess the Ghost's extremities without resorting to using the cameras.

The car certainly shifts too – the V12 engine puts out 563bhp and propels the Ghost from standstill to 60mph in just 4.7 seconds.

STATS

ENGINE: **6,592cc V12, 563bhp, 780Nm of torque**
TOP SPEED: **155mph**
ACCELERATION: **0-60mph in 4.7 seconds**
FUEL ECONOMY: **20.2mpg (combined)**
UNLADEN WEIGHT: **2,360kg**
PRICE: **£216,864**

Even without using all that performance, covering ground is what the Ghost does best. Gadgets such as adaptive cruise control, which maintains a safe distance from the car in front, and a lane-departure warning make short work of motorway distances. The ride at those speeds is also appropriately sumptuous for a car that costs north of £200,000. Over potholed streets at low speeds the need for the suspension to balance the car's vast weight against the mass of the huge wheels can result in less than stately jiggles, though.

The cabin – especially with the right hues of leather and wood veneer – is light and airy, as well as self-consciously luxurious, despite a spattering of chrome. It is a relaxing environment whether at a British motorway 70mph-and-a-bit or an autobahn 155mph – the governed top speed.

No speed is great enough to avoid attention, though. Whether it is the name, the radiator-top mascot or the neo-brutalist looks, the car catches people's eyes, especially those in thrall to celebrity. I was driving through London a couple of years ago in a super-luxury saloon when a car stopped alongside, its driver beckoning me to wind down my window. "Are you someone I should know?" he asked. The car I was driving was from another British motoring bastion now owned by a German carmaker – Volkswagen's Bentley – but the lesson is the same.

That has to be a concern. All cars exist in their own cloud of image and marketing, but the power of the Rolls-Royce brand means there is a danger of people believing their own myth-making if they own one of the cars.

In business, however, reputations generally have to be earned. Putting the cart before the horse, or the trappings of success before the success is assured, would merely add to suspicions that some Rolls-Royce owners are trying too hard to prove themselves.

LIFESTYLE
ROHIT JAGGI

Twin temptations

PHOTOGRAPHS BY
STEVE FRANCK

The wide runway fills the windscreen; potholes and grass growing in the surface, cracks coming into focus as we descend. Tim Orchard, owner of the aircraft I am flying for the first time, raises the pressure by saying: "The banks of earth you can see that look like the end of the runway — there's also a fence in front of them."

RAF Finmere, near Buckingham, is an old second world war airfield, one of the many scattered across England's Midlands. Of its two runways, less than half of the east-west one is still in use; trees and buildings cover the remainder of the former landing strips. Like many former wartime airfields, Finmere is privately owned, home to a few aircraft belonging to the owner and friends.

The aircraft we are flying is a Tecnam P2006T Twin — a four-seater with two piston engines that turn propellers. Being relatively low-tech and low on running costs, it fulfils most of the reasons why people buy twin-engined planes.

Those who buy for personal use want the safety of two engines, though the Rotax 912 S3 engines in the Tecnam are very reliable. Those who buy for a business such as a flight training school should welcome running costs that can be £150 an hour cheaper than many aircraft used for teaching, says Orchard. He is the UK importer for the Tecnam, which is built in Italy by a manufacturer better known for its smaller, single-engine aircraft that have a reputation for being easy to fly. Not counting the extra pressure for my first landing, the aircraft has proved exceptionally unstressful to fly. Controls are so light to operate, the aircraft could be flown in delicate Italian loafers.

"CONTROLS ARE SO LIGHT, THE AIRCRAFT COULD BE FLOWN IN DELICATE ITALIAN LOAFERS"

Aircraft with two engines from US manufacturer Piper, however, such as the six-seat Seneca or four-seat Seminole, demand hobnailed boots. It was on such aircraft that I trained to fly multi-engine planes, and while their controls in general are not particularly subtle, flying on one engine requires huge force on the appropriate rudder pedal to keep the aircraft straight.

On the P2006T, though, with one engine not producing power, the pressure needed to cope with the asymmetric thrust is astonishingly small. Even newer aircraft, such as the four-seat Diamond DA42 Twin Star, which first flew in 2004, are not so benign.

With less effort needed for flying, I can take advantage of the high-wing design to look at the lush green fields 2,000 feet below. The grand estate of Orchard's neighbour, Lord Rothschild, passes under us. But it is a bright, calm day and Orchard is keen to drive off to indulge another aerial passion — hot-air ballooning. In fact, he tells me, his status as a pilot of both Concorde and hot-air balloons is likely to remain unique, as there is not exactly much demand for people to fly new supersonic airliners.

His time with British Airways was a springboard for a varied set of interests. Apart from being the Tecnam importer and ballooning as a hobby, he lectures on aviation and acts as one of the UK Civil Aviation Authority's elite crew of flight examiners. But for now he is keen to go flying with his daughter — also a qualified hot-air balloon pilot.

So we head back to Finmere. One delight of flying from an uncontrolled airfield is the lack of a radio or even a radio procedure — many of the other aircraft that use Finmere are microlights with no radio equipment. The big glass screens of the Tecnam's avionics system make it easy to keep track of where we are, and while we are both keeping a careful eye out for other aircraft, I am otherwise free to concentrate on the flying.

And so to the landing. The banks of earth — and the fence — are looking rather close now. But delicate touches on the controls yield proportionate responses by the aircraft. Speed and glide path look good. The landing roll, according to the book, is just 623 ft, so there should be plenty of room. The wheels kiss the uneven runway surface, and moderate braking brings us to a halt well short of the fence.

Being able to operate from short strips is not the only benefit of the P2006T. Its engines can operate on any sort of car petrol, even those blends that include ethanol. Many aircraft engines still need to use 100 low lead, which is not only fearsomely expensive but also becoming harder and harder to find. The Twin's engines sip fuel at less than 10 gallons an hour, combined, and with a cruising speed of 140 knots, even the modest tanks give a theoretical range of nearly 750 nautical miles.

The €395,000 starting price for the glass-cockpit version of the Tecnam — extras such as a €25,000 autopilot will add to that — also looks like a bargain. The four-seat Seminole, for example, starts at $697,100. With flight training rates usually based on the costs of expensive, thirsty American aircraft, the economics of the P2006T make setting up a school look attractive.

View a slideshow of Rohit Jaggi piloting the P2006T Twin at ft.com/wealth

> RUNNING COSTS CAN BE £150 AN HOUR CHEAPER THAN MANY AIRCRAFT USED FOR TEACHING

Stress-free progress: the Tecnam P2006T is easy to fly and cost-efficient to run. Rohit Jaggi with Tim Orchard, far right

AMBITIOUS WEALTH
STEPHEN FOLEY

Fintech finds new friends

When Michael Bloomberg gave the commencement address at Stanford in 2013, towards the end of his tenure as mayor of New York, he couldn't resist selling the graduates of Silicon Valley's elite university on the benefits of moving east, to the "Silicon Alley" of his own city.

"I believe that more and more Stanford graduates will find themselves moving to Silicon Alley, not only because we're the hottest new tech scene in the country," he told them, "but also because there's more to do on a Friday night than go to the Pizza Hut in Sunnyvale — and you may even be able to find a date with a girl whose name is not Siri."

Part of the Bloomberg mayoral legacy is New York's vibrant start-up scene and behind his cheerleading and his jokes there is a serious point: keeping talented entrepreneurs and technologists away from the gravitational pull of California.

It is the same war for talent that Google, Microsoft and Facebook fight among themselves every day, being played out at municipal level. In cities across the US and beyond, the fight has been joined not only by local political leaders but also by the municipalities' wealthiest citizens. The Pritzkers in Chicago and the Johnsons in Boston have taken a keen interest in their local start-up scenes.

For minimal outlays, businesspeople and philanthropists might help galvanise a home-grown entrepreneurial community that, while it might pale in comparison with that in Silicon Valley, could be enough to make local talent think twice about going west.

Lost in finance: the robo-adviser of the future?

> FINTECH SANDBOX AIMS TO SOLVE THE DIFFICULTY OF ACCESS TO FINANCIAL DATA

A particularly ambitious initiative just got off the ground in Boston, using money and expertise from Devonshire Investors, the private investment arm of the Johnson family, who own asset management giant Fidelity.

Boston is the historical home of the "buy side" of the finance industry, hosting investment institutions such as Fidelity, State Street and MFS, which established the first mutual fund in the US in 1924. By rights, the city should be streets ahead in developing a financial technology, or fintech, start-up scene. Yet "robo-advisers", the latest trend in investing, are springing up elsewhere: Betterment is in New York, Wealthfront hails from Silicon Valley and WiseBanyan just relocated from New York to Las Vegas.

Fidelity Labs, an in-house incubator, has stepped up its efforts to look outside the company for ideas.

"We want to hear those ideas and we need to keep thinking about the next generation of investors. We know we need to disrupt our own internal processes to break that chain of inertia that can happen when you have a big company," Abby Johnson, the third-generation Johnson family chief executive of Fidelity, told a start-up conference last year.

The new initiative from Devonshire is meant to solve one of the enduring difficulties for fintech entrepreneurs: access to financial data. The cost of computing power and storage may have crashed, but it is hard to bootstrap a fintech start-up in the face of high data prices.

Devonshire has created a non-profit that will offer data for free to entrepreneurs, from partners that include Thomson Reuters, to help them build and test their investment models and software. Although entrepreneurs anywhere can apply, those in Boston have access to a shared office space. The aim, says Devonshire partner David Jegen, is to establish some "connective tissue" between the disparate fintech start-ups in the city.

What gives the project, called FinTech Sandbox, an ambitious twist is that developers and entrepreneurs will be asked to feed back technical expertise and lessons from the data to an online forum. It could create a large resource for the world beyond Boston. The model is similar to a site Abby Johnson's father, Ned, founded to share news and scientific papers on experimental treatments for Alzheimer's disease (slogan: "Alzforum: networking for a cure").

The start-up scene gives wealthy individuals invested in the success of their local economies a chance to make an exceptionally large impact, whether it be funding incubators, as JB Pritzker has done with Chicago's 1871 (a venue named after the year of the city's great fire), or trying to fashion a whole start-up district, as Dan Gilbert, founder of Quicken Loans, is doing with the Madison Block in downtown Detroit.

New York's tech scene, meanwhile, is in quiet mourning for the end of the Bloomberg mayoralty and the return to private business of the man they called New York's "entrepreneur in residence". Who will lure the Stanford grads of the future?

PHOTO: PASCAL PERICH; WISCONSINART/DREAMSTIME

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