

# Interview

## Making Companies Work

An Interview with Alan G. Quasha,  
 Founder and President, Quadrant Management, Inc.



Alan G. Quasha

**EDITORS' NOTE** Alan Quasha has served as a Director of Compagnie Financière Richemont SA since 1988 and was CEO of North American Resources Limited, a joint venture between Richemont SA and the Quasha family, between 1988 and 1998. He is also Chairman of publicly traded, independent oil and gas company HKN, Inc., Chairman of asset management firm Carret Asset Management Group, Chairman of investment bank Brean Murray, Carret & Co., LLC, which specializes in Chinese and small-cap companies, Founding Principal of global private equity fund Vanterra Capital, and Chairman of the Brain Trauma Foundation. He is a past Chairman of the Visiting Committee of Harvard University's Weatherhead Center for International Affairs, past Director of American Express Funds, and a former Governor of the American Stock Exchange. Quasha holds a bachelor's degree from Harvard College, an M.B.A. from Harvard Business School, a master of law degree from New York University Law School, and a doctorate of law from Harvard Law School.

**COMPANY BRIEF** Founded in 1988 and based in New York, Quadrant Management, Inc. is a principal alternative investment management firm focused on U.S. and emerging markets. Along with its affiliates, the firm has in excess of \$3 billion in assets under management, with offices in the United States, China, India, Eastern Europe, the Middle East, and Africa.

**You and Quadrant have been in the restructuring business for many years, which now must be very popular with companies seeking to navigate these difficult times. What's your process?**

We're principals, rather than advisers or consultants, in restructuring situations. We restructure companies with ownership in mind because the process often requires making fundamental changes to the business model and laying out a strategy for where the business can go. When we started doing it 30 years ago, there was no money in restructuring as an agent, so you pretty much had to do it as a principal.

Restructurings tend to be required in times of change, particularly when there's economic adversity, so we're very active. We recently took control of Genius Products, a leading entertainment distribution company formerly owned by Bob and Harvey Weinstein. I refer to it as the leader in "non-Blockbuster titles," which means it handles most mediums of entertainment. Genius is already very strong in the movie and DVD business and we're moving it into the music and game business because we can utilize the same distribution channel.

At the same time, we've been actively involved on behalf of Reinet Investments S.C.A., a public investment company with \$3 billion in capital, in a transaction to acquire Lehman Brothers' private equity operation. As you can imagine, this has been a very complicated transaction with lots of cooks, and lots of twists and turns, but we're used to messy situations. In fact, that's the major reason we prevailed over several other interested parties. Quadrant has a history of working through similar issues and trying to figure out how to create win-win situations, and we were able to put that experience to work again in this case.

**You're on the boards of some of the blue chip companies not only of the United States, but of the world. How did you get to be so successful at such a young age, and how do you stay looking so young?**

When I was at Harvard, I played on the squash and tennis teams, and squash is a game that will keep you in shape. Fortunately, when I was there, I was on three national championship teams, which meant that we played and competed at a high level. It kept me fit for a long time and hopefully had some impact on my health.

I've been doing restructurings for 30 years. It's hard to believe we started in 1979, when I

was 29 years old. After graduating from Harvard, I was fortunate enough to go to Harvard Law School and Business School together, through a joint program, and when I finished, I began practicing law. My personality is proactive, so while I loved the law firm I was with, I was entrepreneurial and decided to start my own firm. After going out on my own, I did one of the very first leveraged buyouts: I figured out a way to take a company private with essentially no capital. Then came the hard part: after the deal, we had to make the company work. I commuted every week from New York to Canton, Ohio – not exactly a direct route – and spent more than one weekend snowed in at a little motel. But it was a very interesting experience, and I learned that there are a whole lot of things you can do to change even traditional businesses to make them more efficient and competitive, against incredible adversity, and turn them into leading companies.

**You started out with very little and today you're an extremely wealthy individual, with a large group of companies. Yet your name has always been the shadow behind the mountain. You never like publicity; your name is not on the masthead. You're the quiet giant maneuvering behind the scenes. Why is that? Is that better for business?**

I'm very shy, and I'm certainly publicity shy. I've never felt that getting yourself out in the public was a good thing. I personally enjoy working with companies, fixing companies, and growing companies, and to me, it's the getting-your-hands-dirty part of this that I really like – not the "glitter." Obviously, profit and loss is very measured. I worry a lot when you can't measure what you're doing. If you can't measure something, you don't know its results. So for example, it always worries me when governments decide they're going to spend a lot of money without tools to measure how effective it's going to be.

Ultimately, we like the game, we like measuring things, we like working very hard to make things work, we like building companies, we like making companies that are going to succeed, and the publicity side of things has not been particularly important to us. A lot of times, almost by definition, when you're trying to fix something, you'd prefer to do it in a private environment rather than a public environment. It's a lot easier to make the necessary changes.

## You don't necessarily need to be a large organization to make something happen.

We're looking at business models that are effectively able to generate cash now but also to generate cash in the future. We're making decisions that are more easily made outside of the public glare. Then when it's done, everything is fine. And since my job is to work myself out of a job as quickly as possible, I'd prefer the new CEO take the credit.

**You operate on a worldwide basis, and you're highly respected for your knowledge. What advice would you give to others around the world? Is there something you know that everybody else doesn't know? Where are we in this crisis? Are we going to come out of it? What are your predictions?**

Of course we're going to come out of it. I'm an optimist. I'm a big believer in human ingenuity. I don't think anybody should ever sell human ingenuity short. The problem is letting human ingenuity rise to the top. But there's no question that human ingenuity will defeat all the problems we have; we just have to put our minds to it. So the question isn't whether we'll come out of it; it's when we'll come out of it, and how to do that as quickly and efficiently as possible.

I'm a big believer in the private sector. I'm a big believer in smaller operations rather than larger companies. I think money should, and can, be spent much more efficiently with smaller operations rather than larger ones. I don't like to see failure rewarded. I think a lot of people made a lot of big mistakes, and a lot of those people are in large companies, and large companies have not generated substantial employment. In fact, large companies have been net axers of people. This country, and many other countries, have used microfinance very effectively. One example is India, where they've shown that if you give people tools, a little money, and let them function, they will generate jobs. The United States has been a big generator of jobs, but it has all been done by entrepreneurs and smaller companies. So I would rather see money put to use by people who are closest to the situation. Too many people underestimate the power and the ability of people to make decisions for themselves. But the United States is still the most entrepreneurial country in the world, and it still has a system where ingenuity can thrive. The rules are set up for that, so as long as that remains, the United States will come out of this – and come out of this probably better than many people think.

**Are you planning to slow down any time in the near future?**

No, they will probably have to cart me

away. I love what I do, and if I'm lucky enough to keep doing what I'm doing, I'll do it for a long, long time.

**Most people as successful as you, at some stage in their careers, think about what they're going to do to give back to society. You have done a great deal of giving back, but nobody knows about it.**

Again, it's consistent with our philosophy about working with organizations that aren't necessarily well known, but have a huge personal impact. When he was younger, one of my sons went into a coma because he had what is called a traumatic brain injury, or TBI. Through that experience, I learned a lot about TBI and became involved with the Brain Trauma Foundation. I understood the enormous impact that TBI could have on families, both emotional and financial. I was asked to chair the Brain Trauma Foundation and this great organization has made tremendous changes to how TBI is treated throughout the United States and the world.

The experience has taught me lessons that I'd love other organizations to learn. One is that you don't necessarily need to be a large organization to make something happen. In today's world, creating virtual organizations makes a lot of sense. We come up with the overall framework and collaborate with the best neurosurgeons and brain researchers in the world. We go out and lead efforts and then we look for major problems. Our approach to medicine is that processes should be evidence-based, so that practices and procedures work. Ultimately, we came up with evidence-based guidelines, which have now been adopted by all the surgeons who operate, as well as the authorities.

George Soros supported an empirical study we were able to do in Eastern Europe that showed that, by adopting these guidelines, you'd save the lives of about half the people who had TBI. To us, the only acceptable outcome is a good outcome, which is when somebody can go back and work and lead a very healthy life, which has happened with my son. That has been very meaningful to me, and we're very proud of the impact we've had.

**Do you get involved in politics at all?**

Not by choice. I have backed friends who have run for office, but I don't know that I'm particularly adept at compromises or dealing with politics. But I do think it's very important that people with a lot of talent go into politics. I'm sorry that it's very hard for people who have successful business careers to enter politics, without having enormous strains put on their families.

**You seem to have discovered the way to relax and to be at ease. It doesn't seem like there's very much that gets you angry or jumping up and down. Is this part of your personality?**

I juggled a lot of stuff when I was younger, and I found that hard. So I started meditating when I was very young. I have found that, for me, meditation is a very good tool to help you be at peace with yourself on a regular basis, and be able to juggle a lot of things without getting too excited or letting the bad or good things that happen every day change the way you feel about yourself or the people around you. Instead of getting excited about mistakes, I recognize that making mistakes – whether they're made by me or somebody else who works in our organization – is a fact of life. And mistakes are a very important part of learning. You just hope you don't make the same mistakes over and over again. So I don't get upset or angry. That's not to say I don't sometimes internally get quite upset about specific things that I wish were going differently. But jumping up and down, or letting that impulse get the best of you, seems pretty silly. We're going to make mistakes, and we're going to end up doing things we wish we didn't do, and I'm fairly laid back about it.

**What advice would you give to young people who are looking to answer that age-old question that we've all had to answer at one time or another: what am I going to be when I grow up? With all the criticism these days of business, government, etc., what advice would you give to enthruse them and excite them?**

I always feel that people should, first of all, know their own strengths and weaknesses, and then try to couple that with something they're passionate about. Now, it's not good if you're passionate about something you're terrible at, because that's probably not going to work. But hopefully you can find something you're passionate about that you have a natural inclination for, and if you can combine those two things, then I think it's a very powerful formula for success.

One of the good things that will probably emerge from the current financial crisis is that people are going to look at material success, and what's important in life, in a different way. I think that's very positive. There are a whole lot of people who are doing some really fantastic things that I see time and time again. They're not doing it because it's the most financially rewarding thing to do, but their lives are fantastic. So I think young people should, first of all, do something they're passionate about. If it happens to bring enormous wealth to them, great; if it doesn't, that's also great. At the end of the day, and particularly as you get older, time is an increasingly valuable commodity, and so doing something you really like to do is a great way to fill the time you have. I feel that we're moving to a world where time is more relevant than money. People should probably spend more time thinking about how they want to spend their time, rather than how they might make the most amount of money. If they actually thought about that, it might change some of their decisions. ●