Fascinated with Change

**An Interview with James D. Robinson III,
Founding General Partner and Co-Founder, RRE Ventures**

James D. Robinson III

EDITORS' NOTE *Jim Robinson also serves as a board director at On Deck Capital, PrimeRevenue, and K2 Intelligence. Additionally, Robinson serves as President, J. D. Robinson, Inc., and was Chairman and Chief Executive Officer of American Express Company from 1977 to 1993 and Non-Executive Chairman of Bristol-Myers Squibb from 2005 to 2008. Prior to this, he held several executive positions within American Express, was a general partner with White, Weld & Co., and served as Assistant to the Chairman and President of Morgan Guaranty Trust Company. He is also a director of The Coca-Cola Company. He is Honorary Chairman of Memorial Sloan-Kettering Cancer Center; an Honorary Trustee of The Brookings Institution; and Chairman Emeritus of the Partnership for New York City and the World Travel & Tourism Council. Robinson has an M.B.A. from Harvard Business School and a B.S. from Georgia Institute of Technology.*

COMPANY BRIEF *Since its founding in 1994, RRE Ventures (www.rre.com) has been helping talented management teams build industry-leading companies. Today, they manage over $1 billion in assets dedicated to investing in private information technology companies. They focus on rapidly growing markets in the software, communications, and financial services industries, and back entrepreneurs and management teams that possess industry knowledge, vision, and discipline to create meaningful, successful companies.*

How do you believe the economy is faring today and is true recovery taking place?

The economy is growing but at a slow pace, and it is a jobless recovery due to a lot of the macro issues: uncertainty coming out of Washington, the initiatives around the deficit and debt, immigration, and tax reform. Congress is totally dysfunctional. So businesses are hoarding cash and constraining capital investment and job creation. They have a lot of cash abroad that they would bring back if the tax laws were different. The aftermath of the financial crisis has left the banks under the microscope of the regulators, so they're cautious and not lending. Medium- and small-sized businesses don't have the access to capital they should have, as the banking community is trying to determine what its new business model will look like and how to cope with regulators.

In Dodd-Frank, Congress designed something that was political theater. Virtually everything was referred to the regulators to come up with the details. Too many of the regulators see it as an opportunity to gain more ground – to expand their turf. The name of the game should be consistency in regulation and to provide the opportunity for banks to compete, including getting themselves in trouble if they're not effectively managed or aware of the risks they take on.

Is there merit to the concept of too-big-to-fail? Isn't there the need to be of a certain size to compete globally today?

There is a need to be big enough to enjoy the productivity gains that technology and broad diversification bring through geographic reach and product reach.

The problem is that, in today's world with the sophistication of the trading markets with derivatives and other exotic instruments, it's hard to know what risk you're taking: where the counterparty risks ultimately end and what happens if you start unraveling that string.

Do you need depth, breadth, and liquidity in the markets? Yes. Can you stifle that with excessive regulation? Yes. The regulators will never be able to define capital ratios that are high enough to prevent any kind of failure. They need to set the goalposts and follow what is going on. They must have the capacity to challenge and make public their concerns of the issues facing Bank A or Bank B. Let the market sort it out.

Is the U.S. losing some of its competitive edge?

Yes. Other countries from China to India to Brazil are catching up fast. Their economic growth is important in the world equation – a good thing – although it brings special challenges to the U.S. We are going through an evolution where jobs are coming back to the U.S. Wage levels in China have gone up. The North American Free Trade Agreement has created more cross-border opportunities with Mexico. The U.S. is getting competitive, certainly in advanced manufacturing.

Over the next several years, North America will become energy independent. We are fast becoming the most competitive, developed country in the world with a cheap energy source from the U.S. and Canada with a lot of the new supply coming from shale and fracking.

Has RRE evolved as you expected?

Yes. We have had five venture funds, totaling over $1 billion. It's exciting to work with passionate entrepreneurs.

I have always been fascinated with change. Change driven by technology is a fact of life. You can't put it back in the bottle. Technology is transforming many aspects of business – look at the whole new paradigm of mobile, commercial drones, and 3D printing.

As the digital world continues to expand and create a world that is "always on," we must be able to deal with cyberterrorism and hacking. The Internet, for better or worse, is changing the world. It can bring down governments and companies. The power of social networks to organize and put pressure on companies and products is immense.

A technology-driven growth environment, filled with impressive innovation, is not going to create the kind of jobs of yesteryear. While we have great higher education institutions, our K through 12 system is seriously lacking. Unfortunately, much of our public school system is focused on the parochial interest of the unions and not the students. That has to change.

What makes the Partnership for New York City so effective?

The Partnership today has broad representation of large and small companies. It is a highly effective voice for sound policy and economic development thanks to the leadership of Kathy Wylde and active participation across the membership.

As for the city itself, New York has the greatest collection of medical institutions in the world and they are working much more effectively together than in years gone by when they were just competitive silos. New York City is a place where young venture technology companies start and mature, and can grow. Keeping them in the city when they begin to scale requires work, but there is opportunity across all of the boroughs – an exciting evolution is well underway.

The issues are that taxes in New York are too high and the red tape one has to go through to get things done is too thick. The mayor has put a focus on this. We see a number of new companies extracting public data and packaging it in a way that makes it usable for those trying to meet compliance for multiple regulations in the real estate industry, for instance. This should bring attention to how ridiculous and archaic the entire regulation and administration processes are. Transparency is a strong tonic for change. More change clearly is needed and the opportunity for meaningful private/public partnerships, including labor, has never been greater. ●

