

The Lack of Purpose and a threat to Patient Capital



In the absence of an animating and elevating Purpose, the world defaults to "MORE" as the singular Purpose.

Patient capital has been one of the biggest assets in the cause of human development. It funded research, capital investment, exploration and several other aspects that have bettered the human life and given it meaning.

Patient capital is under threat. In the absence of Purpose, capital is chasing one thing ... MORE.

1. Private Equity / Venture Capital wanted More: They first triggered the end of patient capital, seeking valuation and IRR in successively smaller time horizons; sometimes as low as 3 to 4 years. In cases of breakthrough innovation (Tesla / Infosys / ChatGPT) maybe the risk merits the return. However, now incremental improvement is demanding the same returns. Speak to portfolio companies in India and they will tell you that the "Playbook" is dominated by one trick, "reduce cost to increase EBITDA".

Is there a line of sight from gravity defying valuations to a better world? Private Equity would do well to clarify; to itself first.

2. Public Markets wanted more: Shifting of capital has an unsettling effect on the Boards and C-Suite and public markets are feeling it. Lack of Capex investment in spite of a major cut in Corporate Tax and the pronouncements on the virtue of 70 – 90 hour weeks are all outcomes of the pressure for higher returns. It is now established that there is no correlation between Financial Performance and Rightsizing initiatives – cutting jobs is no longer a compulsion, it is a voluntary act. It was particularly heartbreaking, in a discussion with a Senior Leader in one of the most sustainable business groups of India, to hear that even they do not have access to patient capital anymore.

Recent Trust Surveys (e.g. Edelman) have indicated that Business is now a more trusted entity than Governments, NGOs and Media. Are Public Companies conscious that they may be at threat of betraying trust?

3. The Family Business wants More: The "Last Bastion" of patient capital, the Family Business, is falling. Apart from the need for "More", there is another definitive trend in family business. That the NextGen increasingly wants to be an investor, not an operator. Previously, the Family business would have been the default recipient of surplus capital. The fuelling corpus of Family Office as an investment vehicle (trending to be larger than Hedge Funds by 2030) concurrent with evaporating capital investment bears witness to the redirection.

Do Business Families realize that the search for MORE is compromising legacies and the backbone of economies in which 70 – 80 % business rests with Family Business?

We are in a **crisis** of Meaning and Purpose. The implication is not "soft or emotional", it is "Hard" with real and unfortunately negative impact on the world we live in. More is at best a "How", if it becomes a "Why", that's how cancerous growth happens.

Are some leaders willing to go against the grain or perhaps return to the original "Why" of business?