



TRANSCRIPT
Born Leader Podcast — Episode 4
Babak Hafezi — Sustainable Models and Global Leadership

[MUSIC INTERLUDE]

Narration: Welcome to the Born Leader podcast, where we believe everyone is born to lead. The show explores leadership in its many forms through interviews with, and profiles of, leaders in our communities — people who demonstrate that we are all born leaders and there are many paths to discovering that potential. I'm your host Gaea Honeycutt, Founder and CEO of the Hypatian Institute, a leadership development organization that creates innovative vehicles to cultivate competitive advantage for emerging and established leaders.

In this episode, we welcome Babak Hafezi, CEO of Hafezi Capital, an international consulting firm that helps its clients make distinctive, lasting and substantial improvements in performance and operations. Babak is successfully doing what so many of us desire — he's merging his personal and professional interests in his work. Through his firm, Babak helps new and seasoned entrepreneurs build sustainable businesses in domestic and international markets. At the same time, he's the quintessential Renaissance man, with a deep interest in human rights and conflict resolution.

We start with the world of business and its intersection with his personal interests, as well as what American businesses can learn from our global counterparts. And, the universal challenge all businesses face — no matter the type — building a sustainable model.

[MUSIC INTERLUDE]

Gaea: You have a really interesting business. Your company is at the intersection of key operational functions. So, finance . . . um . . . development, strategic planning, human capital. How did you find your sweet spot and your success in terms of bringing this business together and doing what you want to do?

Babak: Yeah. Great question. Um, the way that I think of . . . of enterprises is that they work in a holistic basis, as a holistic basis. We cannot go into an organization and really fix their, uh, their marketing without focusing on their strategy or their human capital, their ability to deliver the product. So what I saw with most other consulting firms and, when we started, was that all of the other consulting firms were providing the specific advisory service of marketing or strategy or whatever it may be, but the implementation would fail somewhere down the line.

Gaea: Mm-hm.

Babak: And the client would never actually get the maximum benefit of engagement. And, sometimes, they would see it as a waste of revenue and a waste of income. So, what we started doing is really focusing on maximizing the client delivery model, and making sure that we could provide the best core service to our clients in the most effective way. And also, making sure that every single dollar that they spend is a direct ROI associatively. And that's why we found ourselves doing more than we bargained for. Um, and you cannot focus on growth, and you cannot focus on — so, you cannot focus on capitalization without focusing on growth and organization because if you try to raise money — be it in the private sector, be in the banking sector — you're required to show some sort of a growth model. You're supposed to show some sort of organizational human capital model in there as well. So, it's a necessity and a requirement in the business world to do so. And, when most consulting firms do not offer the breadth of the services, it ends up failing there.

Gaea: Okay. So, basically, it's about scaling up or the ability to scale up.

Babak: It's always about scaling up, and clients always are looking for that.

Gaea: Now one thing I've heard about a lot lately in, you know, the news and business media — people want something that can scale up quickly. For instance if you're listening to the StartUp podcast, they have been following this business over the past year that wanted to have, um, Uber for relationships, for dating . . .

Babak: Right. Uh-huh

Gaea: . . . like matchmaking. And they've decided that they're going to become a lifestyle business because they could not quickly iterate and start up. So, do you think we have too much of a focus nowadays on the fast, you know, start up?

Babak: If well . . . we, we always see fads, right? Fads come and go. And, um, but start . . . being quick is very, very important, and that's part of the lean start up model, right? It's that you fail fast and you fail quickly, or you succeed fast and you succeed quickly. But, uh, most . . . most venture capitalists are looking for a quick return on capital. And uh, you have to also defend your position. So, what happens is if you don't scale up, others—other people beat you to the game.

Gaea: Mm-hm.

Babak: Because most of what is being produced today — especially in the mobile world — there's very little, um, um, IP associated with it that you can actually defend. It's all about rapid delivery of the end product services. So, you have to be able to protect yourself by being the first and the largest in the game. And, you know, when we talk about Uber for example, the difference between Uber and Lyft — Lyft's valuation is . . . is less than half a billion dollars, whereas Uber's valuation is in excess of 48 billion dollars. So, you can see how a number one, number two player have a huge valuation differential, and that's why going to the market quickly is exceptionally important.

Gaea: Okay. So, last year I discovered your background in peace studies and your interest in human rights.

Babak: That's right.

Gaea: And, I subsequently tried to draft you for a board.

[LAUGHTER]

And, I think that for most people those interests seem to be in opposition. So, how does your background in, in you know, in these areas, actually shape what you do for your work?

Babak: Right. Thank you for asking that question. Um, the, the funny thing is that conflict resolution is one of the most . . . is the epicenter of business, right? Every single business is working towards conflict resolution. And so, um, my primary degree that I obtained from A.U. in Peace and Conflict Resolution had the notion of how do we solve individual human problems that are associated with it. Now, one of the things that most people argue, and try to counter-argue — and we have books and books and books about, you know, the worst parts of globalization—I still think that business is a . . . can be a tool for good, right? Every one of us enjoys the ability of communicating very freely, having the ability of getting information in the palm of your hand anywhere in the world. So, those are all businesses that provide those services. So, I think that you . . . we shouldn't look at it as two separate entities, but they're actually very corre— ah, correlated, and we can actually get those things functioning better together rather than thinking of them as very different models.

Now, in every business there's an ethical component built into it. The questions become how much . . . how much we pay our employees. Those are all concepts from human rights. So, they are driven by human rights.

Gaea: Mm-hm.

Babak: And those are . . . could be positive rights or negative rights in the sense that positive rights being those that are given to us and negative rights being the ones that you assume they're part of the entire social model. So, to me they are actually co . . . correlate . . . they work together, they . . . you cannot separate them, and they are very important in nature.

Gaea: What do you think of the B-corp model — that you see a lot more, I think, internationally and you see it growing here in the States — of the benefit corporation and its potential to really have the kind of impact that you're talking about?

Babak: So, as long as the corpora . . . it is a corporation . . . one of the things I've found out — and you know I've had the pleasure of judging a lot of different competitions, one of the things that I've seen with these younger entrepreneurs are all these organizations — and working for socially good products, socially beneficial products, right? But, the problem is none of them become financially viable.

Gaea: Mm-hm.

Babak: Right? So, if we want to have a company that's beneficial in the market space, it first has to survive. So, as long as these . . . as these companies have the ability of surviving in the private market space, and providing social good, that's wonderful. There's always a space for those products. And what's really amazing is other countries have actually taken the lead on this.

Gaea: Mm-hm.

Babak: Not the United States.

Gaea: No.

Babak: So, Brazil is a great example. Um, there's a great, amazing company called Natura in Brazil that provides shampoo and really expensive soap products. Ah, they actually have put up a green . . . headquarters within the Amazon. Every single tree that they—they transplanted every single tree they removed from the area to build their headquarters.

Gaea: Oh, really?

Babak: Every single product that they actually put out has a social benefit implication in there. And from a social and a human HR perspective, every single one of their employees gets free breakfast, lunch and dinner. They actually have schooling built into the headquarters so that families bring their kids, and if they come from the favelas, if they come from the—the poorest areas, they bring their kids with them. They put them in day school, they put them in kindergarten, they put them in . . . in first, second, you know, in elementary school, middle school and high school, and then they have lunch with them.

Gaea: Hmm.

Babak: Right? So, this is a Brazilian company that's driving this force. So, the amazing thing is, is that—I mean they're the largest and the most successful shampoo and . . . you know, hygiene products within Brazil.

Gaea: Okay.

Babak: Their soaps, their products are seen on all the first-class aircraft, in all the five-star hotels throughout Brazil, in all the duty-free shops.

Gaea: Mm-hm.

Babak: So, I want you to think if Nivea or Johnson and Johnson was doing this . . . But, that's what they actually are doing there. So, the most amazing thing is that these things are being driven by other countries, less by the United States, unfortunately.

Gaea: Alright. And, it's key then to have a business model that's really going to be scalable and profitable.

Babak: Absolutely, absolutely.

Gaea: —before you focus on the benefit aspect of it.

Babak: And, you have to also say, you know, what are the benefits, right? How much of the benefits are you going to give away? There's also companies like this in Britain. There's a—one of the largest drink companies is exactly the same thing. They provide 30% of their profits away. And they increase it every single year. They started with 10% and now they're at 30%. They're hoping to be at 80% the next few years. So, the point is that there are amazing social benefit companies out there who are functionally working to make this world a better place and add maximum value.

Gaea: Hmm. Interesting. 80%?

Babak: Yeah.

Gaea: That's an amazing goal. I think about . . . the only company I can think about right now where I can give you a number is Target, which has that 5% Minnesotan goal.

Babak: Right.

Gaea: And, ah, that's incredible. Well, you know, this leads me to my next question, which is about what makes your company distinctive. The fact that you operate in international markets? What do you think are the lessons—maybe that B-corp model is one of them—but what do you think are the lessons that businesses here in the United States can learn from our counterparts abroad?

Babak: Well, I think that one of the biggest problems with American businesses going abroad is they just want to go ahead and they make the American model exactly how it is somewhere else. And, they lack the cultural nuances, they lack the social nuances, that are associated with appearing in that specific market. And I think that there's a lot to learn. You have to remember that the world is composed of over seven billion people. The U.S. is about 312 million people. So, we're a very small community compared to the global market space. Alright? Now, we're the most important market because we develop everything that's R&D and it's amazing. But there's a lot of stuff that's happening up in foreign countries that are just amazingly . . . I mean they're socially destructive in their economies.

So, what makes us unique is that we're always searching for what is driving businesses globally, number one. Number two, we're always educating our clients and making sure that they are making factual-based data analysis and choices based on that analysis. So, number three is our ability to pivot when our client needs us to pivot. And also to deliver the product, what they need to deliver at the time and in the manner for which they want us to deliver it. So, our ability to be where our clients are is exceptionally important, so we are reachable 24/7 — they always can talk to us. Now, international is important, absolutely, but it's also understanding of the tactical issues and making things happen for our clients. It's also the order of which things go forward. Many times clients call us and they want to do A, Z, D, A — that model. It just doesn't work for them and they waste a lot of money.

Gaea: Mm-hm.

Babak: So, when they come to us, we actually save them money by making sure it's a very systemized process. I cannot . . . I cannot talk more about how important process is, right? Process is one of the most . . . third pillars . . . one of the third most important pillars. So processes are very, very important and we focus on that. And, we focus on implementation when they need us to. When they cannot implement, they actually allow us to implement for them. So, there's very few consultant . . . consultancies in our market space that are both, um, the analysis, the advisory service and the implementation. So, we kind of merge those things together, and we add the idea of . . . of financial resources, of structuring, and the ability of going to foreign . . . to capital markets, debt markets and foreign markets.

Gaea: So, what would you say in, you know, in this global marketplace that everyone is becoming more aware of in the United States — and certainly that is changing how we do business — what do you think are the keys to being a leader in the business community and the private sector?

Babak: So, to me number one is having the ability of conveying your message and your product offering very quickly, right? Communication is always the most important element. To me a leader is a person who has the ability of influencing others. That to me is where a true leader is. It's not a person who orders people around. It's not a person who is consistently micromanaging people. It's a person who has the ability of influencing others, making them think, making them internalize, making them, um, challenge their mental models that they have. Because that is what leaders do. They carry people forward even when they don't want to carry forward themselves. So, the structure of system in there, by which they actually influence others in ways that make it financially viable for the organization—and this is obviously in the business world.

Gaea: Mm-hm, mm-hm.

Babak: So, um, for leaders they have to understand that there is a different world out there, that people don't think the way that we do. That there's a cultural aspect of it all, and that we cannot be so harsh and so stubborn in our model; that our model has to adapt. And, the sad thing is, is that the largest organizations in the world are the ones who actually get hurt the most.

Gaea: Really?

Babak: Yes. So Walmart is a great example. Walmart in the 1990s and the . . . the year was 2000, entered the German market and um, and miserably lost in the German market. They did not want to adapt anything. They wanted to take exactly the Arkansas model and completely take it to German model.

Gaea: Very different places, I've —

Babak: Absolutely.

Gaea: —my people from Arkansas, so, very different places.

Babak: Absolutely. And completely different models of shopping, completely different models of...of...of interacting. There's a cultural nuance, there's a business nuance, there is a structural nuance . . . so, they did not want to go and adapt, they wanted to enforce. For them, it was a top-down model and Walmart was never going to change. And the reality is that your brand needs to adapt to the markets you go to. So, the stubbornness is one of the key problems with leaders, is that they're so stubborn in the model of implementing what they want to implement that they forget to become effective. And efficacy for me is the most important element in any engagement. You want your investment to be effective, right? You want to make sure you can go in there and be effective. So, they have to understand that in the global market space, you are learning while you're teaching, and they have to never forget that.

[MUSIC INTERLUDE]

Narration: We'll be back after this break to speak more with Babak about building meaningful relationships with associates, clients and mentors, and his method for enabling his own personal growth.

[MUSIC INTERLUDE]

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[MUSIC INTERLUDE]

Narration: Welcome back. You're listening to Born Leader from the Hypatian Institute. I'm your host Gaea Honeycutt and joining us today is investor and consultant Babak Hafezi, CEO of Hafezi Capital.

In the second part of this episode, we explore how Babak combines his approach to business with the human-centered side of his work, where he draws inspiration – especially during those challenging times all entrepreneurs face, and how he makes sure he’s ready to learn anytime, anywhere.

[MUSIC INTERLUDE]

Gaea: You know, you really merged those worlds of, um, conflict resolution and business finance so well in what you do. So, tell me this: you know, in your industry—in almost any industry—it’s not so much what you know but who you know. Are there people who have been in your life who have really been great mentors to you, and really helped frame how you approach your work and...and anything else that you do?

Babak: Absolutely. I think that every single successful human being or half-successful human being has had a number of individuals who have been amazing mentors. So, first and foremost, you know we . . . my parents and I have always had a really close relationship, and my mom and my dad have always been a source of guiding light and always the endless beacon of hope that has always shined through. So that’s...that’s one thing. My wife has always also been that . . . that beacon of absolute shining light and mentorship. And, I think as entrepreneurs, you know, we have bad days. And most people don’t see that, right? *Inc. Magazine* and Bloomberg and all these . . . you know, and CNBC, whatever, they never cover the bad days. They always cover the good days. They always cover the most amazing moments you’re having, so you think entrepreneurship is always about the amazing things, right? But having people behind you who are always, you know, pushing you forward on your bad days is what entrepreneurship is all about.

Gaea: Mm-hm.

Babak: So, I’m very lucky in that sense that I’ve had a great, you know, home environment that really benefits me in that sense. But, on the mentorship and the other elements, I’ve had some amazing mentors throughout the years. And obviously, I think that we graduate from certain mentors, but they still leave a huge impact and a lasting effect on the way we think of the world. So, a lot of my professors have always had a huge impact and I still actually stay in touch with them.

Gaea: Mm-hm.

Babak: So, I have a really good relationship with a lot of amazing people. I had one professor who was, um, one of the largest VC . . . he was the head of the largest VCs in town. And um, you know, he had a lasting impression on me and everything I do with venture capital, I always have his models in my head. When I do anything with real estate, I had another professor who always stays in my mind and always tells me X, Y, and Z that it still sticks with me.

Gaea: Mm-hm.

Babak: Um, I’ve had amazing CEO bosses, who at times, I disliked them very, very much while I was working for them.

[LAUGHTER]

But they challenged me and moved me forward and they provided me with a framework. And you know, the funny thing is one of them is no longer with us, and around the house I just have memories of him . . . that when I open and see it, it just triggers all these memories and it says, "You know what, you can do this and you can move forward." So, it's always nice to have these individuals in your life. And obviously, my clients are all mentors because they all have an amazing story. They all have . . . they're entrepreneurs just like me and they have an amazing story of how they moved forward. So, I keep on learning.

Gaea: Mm-hm.

Babak: I also want to say that entrepreneur . . . mentors do not necessarily have to be one person who knows everything.

Gaea: Right.

Babak: I...I've found mentorship in general conversations with people on a daily basis. I remember... um I was somewhere and I was talking to somebody in a . . . in a private setting and this person just ends up being Bolivian. And he said . . . you know, he was trying to get his son to go to school and he needed his paperwork, but this lady who worked there — who happens to be Bolivian as well, in Bolivia — wouldn't give it to him.

Gaea: Mmm.

Babak: So . . . and this is exactly what he said, he goes "See, in Latin America, you can never bribe a woman. Because women are too proud. It took them too hard for them to get into the workforce. So, you can never bribe a woman."

Gaea: Hmm!

Babak: You know?

Gaea: Mm-hm.

Babak: So, that in itself is a mentorship because I have actually always remembered that, and I've used it when I've needed to in certain markets. But, knowing that is exceptionally important. So, the point is that you keep on learning on a daily basis from everybody. And, we shouldn't think of it as just purely an educational sit-down event where people preach to us. But, it could be a very simple conversation that you're having with somebody else and they share data with you that really adds value to your life—maybe not today, but maybe a couple years down the road. So, we should always think of that mentorship. It could happen anywhere, at any given time, and always to be having your antennas up for that.

Gaea: And, you never know when you will see something that will spark something . . . it can be in the news, actually, or...

Babak: Absolutely. Absolutely.

Gaea: Or any number of things, a book of fiction.

Babak: And being diverse in that, and making sure that you always go out there and experience new things. I, for example, every single year put three new challenges for myself. Things that I would never do.

Gaea: Um-hmm.

Babak: And things that I actually think I don't like. I *think* I don't like them.

Gaea: Okay.

Babak: And the reason is because I've got to challenge those notions. If I think I don't like something but I go into it and I'm like "Wow, I really like this," I just opened up an entire new field that I never knew about.

Gaea: So, can you share your challenges for this year with me?

Babak: Absolutely. For example, skiing was one of those things. My mom was very scared of me skiing when I was a child. So, she never put me in ski school. And, about four or five years ago, skiing became part of my ritual. I went and got a profe . . . a teacher and started . . . actually more like than that. It was seven or eight years ago . . . So, we started doing this, and now it's something that is wonderful. I get to go with my friends, and we go skiing. And, it's something that completely added a new notion to my life that didn't exist seven or eight years ago.

Gaea: So, where is your favorite place to ski now?

Babak: You know, what I really found, location doesn't matter, it's who you're with. So, um, as long as I have a group . . . great group of friends around me and we're all together and we're all having fun. You know? Preferably in Colorado, or in Vancouver, is always good. And Europe has all these amazing places. So, any of those, it is amazing, but the most important thing is being around among friends and really enjoying that relationship with others. Yeah.

Gaea: You're relatively young, actually —

Babak: I mean, I wish!

Gaea: Younger than me, and you look like you're 18.

Babak: I wish!

[LAUGHTER]

Most of these are gone. [*Gesturing at his hair.*]

Gaea: So, are you doing what you want to do when you grow up? Or, are there other things that you'd like to do?

Babak: I am exceptionally happy with what I'm doing, and the reason is because I really get to touch a lot of people; I make a real difference in their lives, you know. I have had the luxury of saving marriages. I've had husbands and wives who have come through these doors and, ah, they were on the verge of . . . of a divorce because of their business. They just had different visions of this business. And having the ability of putting them through . . . and not only now are they not divorced, but they're married — happily married — but they have grown their organization from a million dollar business to a \$7 million business. So, you know, to have that ability of touching people and making a real difference is what this business is all about for me. So, um, would I like to be doing other things? Potentially. I would always . . . I never say no to a challenge. I get job offers, um, on a quarterly basis, and I always explore them.

Gaea: Um-hmm.

Babak: Because I want to see what's, you know, what's out there. And, what the opportunities are and if it's something that sparks my interest. Um, I have gotten phone calls from Silicon Valley asking me to potentially become a . . . a CEO there. So, if it's the right company, if it's the right structure, you never know. The most . . . the one thing is I have never closed doors. I don't ever close doors. I always explore because it's good to know. It's good to know what's out there. It's good to know what can be financially viable for ourselves and others. So, it's always good to know that.

Gaea: Well, thank you so much for joining us and talking to us about the intersection of what is socially important to you and what is professionally important to you. And, um, and, and hopefully, we'll have you back again because I think there's a lot more to talk about.

Babak: Well, it's an honor and pleasure being here, and I look forward . . . and, and seeing you guys very, very soon. And hopefully, hopefully, ya know, it's certain things that we can grow and learn more of each other.

[MUSIC INTERLUDE]

Narration: I'm afraid it's time to wrap up Born Leader today. I want to thank Babak Hafezi, CEO of Hafezi Capital, for speaking with us about the intersection of business and corporate citizenship, and drawing leadership lessons every day from those with whom we meet and engage. Maybe you'd like to take a page from his book and choose three personal challenges for the coming year. We'd love to hear from you in the comments section or on Facebook, LinkedIn and Twitter.

In the next episode of Born Leader, we'll speak with Michel Zajur, Founder and CEO of the Virginia Hispanic Chamber of Commerce, which grew out of his efforts to support the community and share his family's heritage with neighbors in greater Richmond.

I'd also like to thank Therese Arkenberg who prepares our Born Leader transcripts and provides assistance on the business side of this venture.

And, thank you, for listening. If you want to learn more about Babak Hafezi or other guests on the Born Leader podcast, visit HypatianInstitute.com. That's H-Y-P-A-T-I-A-N institute dot com. Or follow us on Twitter at Hypatian I-N-S-T. Talk to you next time on Born Leader from the Hypatian Institute.