
INVESTMENT RESEARCH

Investment Manager Paulina McPadden on how asking big questions and working with academics and entrepreneurs can help us to better understand pioneering businesses.

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Paulina McPadden: Successful companies solve problems for their customers. They delight them by making products and services that are cheaper, or better, or both. They drive deep structural changes or are the first among their competitors to seize onto existing trends and exploit them.

In order to find these companies that are ready to become tomorrow's leaders, we have to ask big questions first rather than fixating on spreadsheet details: "What is this company doing that wasn't possible before?"; "Are they motivated to keep improving over a decade or more?"; "How durable is the advantage that they've created for themselves?"

Traditional financial information sources are of little use in this kind of research. So, sometimes it requires us to draw on academic and entrepreneurial relationships worldwide. Thinkers and actors who are similarly fascinated by what could be rather than what is. They help us understand the motors of disruption, and to keep pace with pioneering businesses as they equip themselves for a thriving future.

Of course, we must be satisfied that in the end the numbers add up and that a company's operations and approach to business are robust. But we accept that no one can precisely predict a future that is still being shaped. We focus on magnitudes, not decimal points. So, we look at the scale of market opportunity. The ambition and adaptability of management, the potential of entrepreneurial leadership and intellectual property, and the new customers a company might find.

Fear of uncertainty and looking foolish can make asking such big questions difficult. A determination to remain curious and open-minded is necessary to anticipating the world's biggest changes and needs over 10 years and longer. We accept that we may only be roughly right, but we'd rather that, than be precisely wrong.



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