

Foresight: The CPA Podcast

Season 4 Episode 6: Seeing a recession as an opportunity for growth

Neil Morrison: Welcome to Foresight: The CPA Podcast. I'm Neil Morrison. So far this season, we've been asking our guests what's keeping them up at night, and some like Priyanka Lloyd say they're concerned about the impact of the short term. I say short-term, we certainly hope that's the case, but let's call them the immediate risks to the economy. Priyanka was looking at the impact those challenges might have on her organization's core mission, and then we've spoken to others like Obed Maurice, who's worried about longer-term threats like the future of the accounting profession. And one thing that stuck out for me is that in spite of all the challenges, our guests were pretty optimistic about the future. They were using the current economic environment as an opportunity to innovate or to refocus their strategy. And that is exactly the approach Jerome Dwight has learned to take. In fact, he believes recessions are a perfect opportunity to grow a business, or in his case, even to start one.

Jerome is the co-founder of BoomerangFX. It's a tech company aimed at private healthcare providers. But before BoomerangFX, Jerome held many senior roles, including CEO of the Bank of New York, Mellon's Canadian operations. And it was in that role that he learned to love uncertainty. In 2008, the global economy was in crisis, historic banks were crumbling. The US economy was on the verge of collapse, and it was in that environment that Jerome received a phone call from the federal finance minister. Jim Flaherty wanted to talk with him, and Jerome remembers the moment the two of them first met in person.

Jerome Dwight: Yeah, it was a very interesting time because we had just seen the US economy overnight collapse with Lehman falling apart, and Jim Flaherty had a very quick direct question. He said, "I want you to help me figure out how to protect the Canadian economy and our businesses in Canada." And that led to a series of conversations that eventually led to Mr. Flaherty meeting me in New York at One Wall Street at the base of our global headquarters. Interestingly, Mr. Flaherty shows up in a New York taxi cab while we are preparing for a VIP visit, very Canadian. The head office security forces were in full effect, and they were quite surprised to see the Canadian Minister of Finance show up in the New York City taxi cab, but he was all business and he was there really to figure out from a number of Wall Street CEOs and regulators, the lessons learned so we could quickly move into defensive mode in Canada to limit the contagion.

Neil Morrison: What did you tell him?



Jerome Dwight: I can give you some highlights. I said, I believe in the Canadian infrastructure. The financial system is sound. However, we need to take proactive measures because our economies are so interrelated, particularly between the US and Canada. And the speed was of the essence. But it was also a moment where I said to Flaherty, we need innovation and fast innovation to get infused into the Canadian economy. And it wasn't going to be a silver bullet where the federal government was going to protect the Canadian economy. It was going to take a coordinated effort between the federal government, regulators, the financial system, and also businesses in the private sector working together to rise above it. And I'm proud to say that all of those parties and stakeholders worked together. We protected the auto sector, the home mortgage finance sector, small businesses. We became the gold standard in public-private infrastructure spending. Job creation was seen as a gold standard on the world stage. And I like to think that a lot of those decisions came out of that meeting at One Wall Street with Jim Flaherty and many Wall Street CEOs and regulators.

Neil Morrison: What did you learn about that, about navigating uncertainty? What did you learn from that period?

Jerome Dwight: I think those three months after the financial crisis really shaped how I run businesses because I see recessions and financial or economic crises very differently. I see it through a very different lens. I see those as really pivotal moments for businesses to really accelerate ahead. You take a look at all the major companies, the unicorns of today, that were born out of a recession. There's a long list. Everything from Airbnb in 2008, Slack, WhatsApp, Square, Instagram, these were all companies that were actually born during a period of the 2008-2009 financial crisis and the recession that ensued. So I saw that as pivotal moments where innovation with the right strategy and fast execution helps companies actually leapfrog the competition.

Neil Morrison: So what is it about the uncertainty that just opens the door or makes that possible? It seems counterintuitive.

Jerome Dwight: Yeah, in a normal market, quote, unquote, you've got lots of competitors all vying for market share, but in a recessionary market, you've got a lot of competitors who are, some of them are running out of money, and many, the vast majority, go into contraction mode, laying off, cutting spending, cutting their ad budgets. So intuitively, the companies that actually accelerate the furthest are the ones that don't follow that crowd. It's the companies that say, "now's the time to invest, now's the time to accelerate. Now's the time to take advantage of an environment where we've got less competition." And so as the old adage goes, never let a perfectly good recession pass you by. Right. And that's kind of how I've always looked at businesses and corporate strategy after the 2008 financial crisis.



Neil Morrison: Is there another time where that lesson that you learned was something that you put into play at a challenging moment?

Jerome Dwight: Even with COVID. Right. COVID came upon us in 2020, and most businesses, investors were in contraction mode, laying off employees and really going into defense. And what I did with my co-founder was start one of the fastest-growing healthcare tech companies because we felt that now is a time to launch a company. When potential employees were getting laid off, we were able to hire some of the best and smartest talented people in software development, in digital marketing, in AI. And we actually launched a company right in the middle of lockdown. I'm quite proud of that because we hired at a rapid scale. We grew our customer base, not just in Canada, in the US, internationally at a time when most of the companies were playing defense. And so COVID was a great chapter two for me. It had all of the ingredients of the 2008 financial crisis, banks going into contraction, capital tightening up, VC and private equity money drying up and layoffs. To me, those are great environmental conditions for aggressive expansion.

Neil Morrison: Was there a time when you were doing this, when you were launching in a particularly challenging time economically? Was there a moment at all where you thought, "what am I doing?" Or where you were lying awake at night thinking, "what the heck? Is this the right time to be doing this?"

Jerome Dwight: Yeah, I mean, as a co-funder, a co-founder and a co-funder, we went all in with initially a \$20 million investment. And we said, we're going to go all in to make and build a transformational global company in the middle of a pandemic. That was a big hairy ambition. And then we started hiring some phenomenal team members, team members who bought into that vision. And that's the other part that I'm very proud of that is also part of the ingredient here is you need courageous team members, especially at the leadership level, at the manager level, who buy in to this vision because the natural tendency is everything's falling apart around us, what makes you different? So finding those sort of courageous leaders that say, you know what? We're going to build a company and we're going to take it as a personal challenge to do it.

So it takes a lot of motivation, quite honestly, including at the CEO level to get up every day and kind of have the focus and courage to keep going forward and then bring your people along with you. A lot of storytelling, a lot of near-term and long-term visioning on where this company's going. And then you've got to just, every milestone, every win, every customer, you start to believe and you start to believe. And every time we hit a milestone in the middle of the pandemic, it was like a massive celebration, especially when you're an early-stage startup, and that sort of builds a momentum of its own. Right.



And so it's something that I'm pretty proud of. It's something that I knew that a recession or fears of a recession, you don't lose that opportunity. You've got to do it. You've got to do it smart. And as a CPA, you've got to put all your financial discipline at the foundation to every single decision you make, but you also got to move forward with courage and faith and bring those people along. And it turns out to be quite rewarding. I've seen it happen during the 2008 financial crisis, and I'm pleased to say we're seeing it again coming out of COVID.

Neil Morrison: This isn't your first time though. You jumped into the cryptocurrency market as president of Brane. We've certainly seen recently just how volatile that industry is. How worried were you at the time about the stability of that market?

Jerome Dwight: Yeah, I mean, crypto is by definition still considered the wild west. However, I also saw some of the world's biggest financial institutions, some of the oldest financial institutions starting down the journey of embracing crypto in their infrastructure. And I also saw a movement built around technology that was pretty robust. So the more I looked into it, the foundational technology seemed solid, the use cases were just transformational. I came to the conclusion that it was Web 3.0 and Brane was fulfilling a very important role being a custodian of cryptocurrency, financial assets to protect investors. So it was very similar in that I was one of the first traditional bankers from some of the global banks to actually step across the aisle and start to work inside of a emerging technology, blockchain, cryptocurrency company. So I think new technologies like crypto and blockchains always have volatility. You always see companies that don't make it, but out of that volatility, when you take a long enough lens in a span of time, you're going to see some transformational companies that really change the way we do business, consume financial services, and interact with each other.

Neil Morrison: Is there anything that's keeping you up at night these days? I'm thinking, is there a worst-case scenario that haunts the back of your mind? And if you want, I can give you a worst-case scenario just for you to chew on as you think about your own. We spoke with Stéphane Lefebvre, who's the CEO of Cirque du Soleil. When the pandemic came, in six days the company went from a billion-dollar operations, revenue of a billion dollars per year, to zero in six days. That's the worst-case scenario. Is there one that haunts the back of your mind?

Jerome Dwight: Yeah, I think widespread contagion, whether that be a world war that spreads out of control, where there's not a lot of getting underneath that, getting out of that, the next pandemic, but that other side of my brain says, does that lead to an opportunity to solve that? Right.

Neil Morrison: How can we secure our...



Jerome Dwight: Yeah.

Neil Morrison: How can we reduce that vulnerability? I think there's a company.

Jerome Dwight: Exactly. Is there an opportunity there? Right. But in all seriousness, there are some major threats facing Canada, the US, and the world. I mean, we're increasingly polarized and we need to understand that world tensions are at their highest, and the inflation and interest rate situation isn't helpful for businesses. And these are all things that I always said, one of the things I learned during the financial crisis is that what starts out as a problem in one little pocket of the economy can soon spread into a worldwide contagion, right? And it's always helpful to dissect the lessons of the 2008 financial crisis.

That initial pain points were really in a very small segment of the subprime market in really a small concentrated geographic area of the US. And because of the multiplier effect of contagion into the financial economy within a matter of weeks, the impact of that was felt all around the world. Right. So we're really closely connected economies and what starts out as a small blip in one sort of micro-segment, whether that's crypto or housing or whatever, pick any of the risks out there that we're trying to get our arms around, we need to be mindful of the contagion effect because that can easily spread into domestic and global markets very quickly.

Neil Morrison: Yeah. It reminds me of Rumsfeld's famous line, and just to shorten it, it's not so much the known unknowns that are worrisome to someone like you. It's really the unknown unknowns.

Jerome Dwight: Yeah.

Neil Morrison: It's the thing that's lurking out there that spreads and you have no way of seeing it or predicting it.

Jerome Dwight: Absolutely. I mean, that's what business has shown us all along, that the next threat never looks like the one that the last three, four, or five. And so as risk managers, and I'm on the board of many financial institutions and fintechs, what are the risks we haven't encountered that we should be thinking about? What are those edge cases, those long tail events? Surely as I've lived through a couple now every eight to 10 years, there will be a new event that causes a crisis. And so that's what I think the next generation's facing. And businesses need to be resilient. I mean, I think a lot of companies are talking about building resiliency in their business. Right. And my posture on that is the best way to build resiliency in uncertainty is to be aggressive with your strategies. Growth has to be still your top priority.



And so the way I think about risks is, yes, you've got to pay attention to them, but you can't be paralyzed in fear. And I've worked in multiple industries now from automotive to e-commerce to crypto to healthcare. The common theme for success, the common ingredient, if I were to distill it down to one common theme is you got to be growing every day. You got to have a growth mentality in your business, growing your top line, your bottom line, regardless of the environment. And that doesn't mean growing at all costs. It means growing profitably, growing responsibly, and growing in a manner that builds enduring businesses.

When I look at any opportunity, any business, whether it's the small businesses we serve in healthcare or the businesses I invest in or start, I say, how do we build transformational generational businesses? And generational businesses, by definition, will outlast a recession, right? So that's the lens I look at. So I think if you look at the lens of building enduring generational businesses, you start to make better decisions, less out of fear and protectionism and more out of investment strategic bets, and taking a bit of a more longer term per se and thoughtful approach to the decisions that are right in front of you.

Neil Morrison: I think that's a perfect place to end on. Jerome, thanks so much for taking the time to chat with me about this. It's been great.

Jerome Dwight: Thanks, Neil.

Neil Morrison: Jerome Dwight is the CEO and co-founder of BoomerangFX. And that's it, that's the final episode of season four of the podcast. We have really covered a lot of ground this season. We've looked at potential threats to the future of accounting, managing uncertainty in the investment sector, and the challenge of pushing Canadian businesses forward on innovation or sustainability when businesses are feeling less open to taking risks.

And of course, we also heard the amazing story of Cirque du Soleil. I am still stunned at Stéphane Lefebvre's account of those six days where the Cirque's revenue went from a billion dollars to zero. It's difficult to imagine a more stark example of a worst-case scenario. If you missed any of these episodes, you can go back and listen anytime. And I also encourage you to look through our past seasons. There's lots of great stories in there. If you've enjoyed this season, please leave us a five-star review wherever you get your podcast. Foresight: The CPA Podcast is produced for CPA Canada by PodCraft Productions. Please note the views expressed by our guests are theirs alone and not necessarily the views of CPA Canada. Thanks so much for listening. I'm Neil Morrison.

Disclaimer: The views and opinions expressed in this podcast are those of the guest and do not necessarily reflect that of CPA Canada.