



The Insiders

Episode 6

"Everything is about the people, everything. Companies are not. Companies are aggregations of individuals. If I wouldn't come work for you on this mission to solve this problem. And I look at you as this leader that I wouldn't want to work with. How are you going to recruit the A players down the street? How are you going to recruit the A players that are at other organizations that they don't want to leave, who are literally the best? And the answer is you probably can't."

Welcome to the Insiders, a podcast on the latest advancements, challenges, and successes in innovation and technology. With industry leaders sharing their personal stories, we humanize the world of innovation and inspires listeners to push their boundaries and celebrate real humans shaping our collective future.

Marc

Hello, again, and welcome to the KPMG Insiders. I'm Marc Low, head of KPMG Ignition here in Vancouver, and the host for the podcast. My guest today is Sid Paquette, who leads RBCx at the Royal Bank of Canada, RBC. At RBC, Sid manages a portfolio with four arms, so you've got banking, capital, platform, and ventures, with a very, very large team, as I understand. So, we want to get into all that good stuff as well. But really helping shape the future of RBC, number one. And, of course, the work that you're doing has a big ripple effect in terms of the Canadian tech ecosystem as well, so very, very excited to jump into all the stuff. Sid, welcome to the podcast.

Sid Paquette

Thanks for having me. Super excited to be here.

Marc

Oh, it's so great to have you. Let's set the table a little bit for the conversation. When you got to RBC, tell me a little bit about how you thought about the role at RBCx, what you were asked to do, and without getting into too much confidential detail, we'd love to just understand how you think

about your portfolio now and your role in terms of helping RBC innovate and your background.

Sid Paquette

No, happy to. And it was interesting because, when I first connected with the folks from RBC, it was actually a friend of mine in the industry, very close friend, who was also chatting with these individuals from RBC, just giving them some insights. It really wasn't a recruitment session, it was a, "Hey, can we pick your brain on some things?" And I remember my friend called me and he said, "Hey, I just met with these RBC guys. Can you take a meeting with them?" And I was like, "No, I actually can't." I was like, "I've done these a lot and I'm super buried." I'm like, "I totally can't do it." And he was like, "Come on." He's like, "They're really good guys. Do me a favor," whatever. I was like, "Okay, fine," and I did, and they were amazing individuals.

And so, we just talked through what it is that they wanted to do within their tech practice, and then I just gave them some insights in terms of what I had seen over the course of my career in terms of the value-add that banks were providing to tech and innovation companies. And I would say my view at the time was banks didn't provide a lot of value, and what they provided was capital, but capital's not value. And they didn't even provide capital all the time, and arguably, they may not have provided capital when companies needed it the most, but they didn't provide value. And so, just even in that first meeting, I remember having the meeting with these two individuals, who are really good friends of mine now, and I said to them, I said, "Hey, if you guys wanted to build something that was going to effect change in this country and have a meaningful impact on the tech and innovation ecosystem, this is what I would build."

And I described it at very, very high level, what the RBCx platform is, definitely not in the detail that we've ultimately

built it and the team has taken it to, but at a very rudimentary level, like how could you add value if an organization as large as RBC wanted to put their shoulder in behind it? And so, the individuals were like, "Yeah, that sounds very interesting. We hadn't really thought about it that way. Let us go away and come back to you and we'd love to pick your brain again." They came back, it was probably about a month later, and it was at that point that they said, "Hey, we'd love for you to come on board and build this out." And then we had further discussions after that in terms of ... because for me not being in a bank ever in my life, I had a perception of culture, I had a perception of bureaucracy and autonomy, and so I really needed to get comfortable on building something innovative within, what my perception was, a non-innovative organization.

And so that started a process that was probably nine months long of just meeting all of the executives I can meet just to really understand whether there was the commitment, et cetera. Because, a lot of big organizations, you'll have seen this over your career, tech is sexy, so they jump into the waves when they're high, and they enjoy it, but then, when the tide goes out, so does everybody else. And that was something that I needed to make sure didn't happen, and so that was what really kickstarted that. And then I'd say the key thing for us, in terms of our success, was, early on, going out and hiring the best talent in this country at what they did and bringing them into the fold. Because I'm a huge believer of A's hire A's and B's hire C's. We had to go out and hire A players because they're going to attract A players that are ultimately going to allow us to build out the RBCx platform as it is today.

Marc

How do you think about the process of innovation? Again, you've got this two-pronged view in terms of the portfolio, internal facing to RBC and trying to build value there, and then, again, in the market. I think one of the perceptions around innovation sometimes, that it's this struck by lightning or the apple hits you on the head, but the truth is that the work is actually much more granular. How do you guys think about, when you think about innovation or areas you're looking to add value, how do you do that assessment? How do you think about process? What does that look like inside RBC?

Sid Paquette

Yeah, and maybe I'll just talk about what our mandate was from day one. Our mandate wasn't to build a technology-

focused bank. Our mandate, on day one, and still is to this day, was to help tech and innovation companies scale. It extracts you a layer or two from selling banking products and services. It's not about that. It's, "Let's do something that nobody else has done in this industry. Let's think about adding value." That is core to everything that we do within our practice. That's number one, and that's our guiding light. When you talk about, more broadly, innovation, it drives me crazy, and maybe this is from my angel investing world or my service provider world or my VC world, it drives me crazy when I see innovation for the sake of innovation.

but innovation with a purpose, I really do. And I'd say, when I think about innovation, and again, I'm just talking about me, not my team and others, because certainly everyone's got their own view, but my view is, when you think about innovation and you think about the people who are innovating, there's really three buckets that you need to be in, in my view, to make innovation successful. You either need to be the innovator, you either need to be the individuals or the organization supporting the innovators, or you need to get the hell out of the way. And, if you're not one of those three buckets, you're actually the antithesis of innovation and you're actually hindering it. And so, when we think about innovation, it's really with that lens, it's what can we do to help companies scale?

And again, that could be RBC, that could be our ventures, that could be our clients, could be our non-clients. It's just what can we do to help companies scale? And let's support those companies. If we're not doing the innovation ourselves, of which we do a lot ourselves, if we're not doing the innovation ourselves, let's make sure that we're supporting those that are, but then also try to guide people who are doing innovation for the sake of innovation to do it in a different way, or combine your really smart team with another really smart team who's actually got something that's there, but you start pulling these people together. And, again, it's not the perfect rubric for this, but it's how we think about it, and it enables us to be super diligent as well.

When we're looking at assessing companies, either clients or ventures or prospects or potential M&A targets, are they solving a problem, and is that problem a big problem? Our team only wants to be involved in really, really big things. We want to build really, really big companies, or we want to support really, really big companies. It's way more fun. And, again, it's not to say that it's easy because it absolutely is not. It's probably more difficult because it's such a small percentage that actually get there. But when you think about things that way, you've just got a different lens on innovation generally. And that's how we've operationalized that amongst

the team.

And, again, it's our guiding light to ... there's only so many times you can pivot to when you've really got to look at yourself in the mirror and go, "Okay, this idea is just not going to work as a business," or "Hey, we're helping this client." You got to be honest with the client and go, "You know what, Marc... You're a really smart individual. Here's why your idea may not be successful," and try to guide them in a certain way. Externally, it's hard, but, again, it's something that we take to our core.

Marc

There are some interesting threads to pull on there. When you describe that, it sounds to me, first of all, very product and growth ... in other words, the demand in the market is pulling the product in a way. That's what that sounds like to me when I hear you say, "Not innovation for innovation's sake, I want to be solving a problem. I want the market to be saying there's something there."

Sid Paquette

Sometimes, sometimes. I think what you're talking about is when you get product/market fit. When you've got clients calling you for your product, that's a pretty good sign that you've got product/market fit. You're not pushing the boulder up the hill anymore. Now it's starting to roll down the other side. That's the good sign for product/market fit. I would argue sometimes, and again, consumer feedback's great, but a friend of mine has said this many, many times, we didn't know that we needed or wanted 10,000 songs in our pocket digitally at all times until ... But that was a problem, and so it was a problem that could be articulated, and it's okay that people didn't realize that they had that problem, but when you make them aware of the problem and they go, "I want that," then you start to get a little bit of that sense of, okay, we're on the right path.

It's not that you have to have that product-market fit out of the gate because almost nobody does. And it's not that you have to do what your clients want to do because, in a lot of cases, they don't know. I do think it's good to have that product lens, and again, we're hiring a senior product leader on our team who's going to help our clients and our ventures do exactly this, but it's not that you have to have the view of exactly what is in demand when you hear and get that information from your clients, but when you've developed something and you show it to either corporations or individuals and there's not a lot of uptake to it, and you iterate on it and iterate, at some point, you just got to be honest with yourself on that as well.

Marc

We had **Anna Sainsbury from GeoComply** on the podcast, and one of the things that she's talked about, which I thought was fascinating, was she said they have almost no salespeople because she's got such a finger on the pulse of the problem that they're solving that she's driving the product in a way that is finding that, and she wants to be at the **metaphorical coal face** of the feedback that informs the roadmap and so on.

You've talked about a couple of things there, the idea of you're looking for big markets, obviously, you're looking for, obviously, in a venture space, you're looking for evidence of traction, you're looking for a founder who's got a finger on the pulse of what that problem is. You're describing Steve Jobs had a vision of 10,000 songs in your pocket, he was creating that, almost creating that market or creating that problem because he had such a sense of this has to exist in the world. Talk to me a little bit about the other things that you're looking for in a founder or in a solution. you've got those core elements. Is it a view of the founders themselves? I guess what I'm trying to get is how do you narrow in on what product or markets are interesting things that align to where you're trying to go to?

Sid Paquette

I'll start on the founder piece, and, unfortunately, I'm not going to give you what you want and anybody who does, I think, is totally full of it, which is what are the things that a founder-

Marc

What's the recipe, Sid?

Sid Paquette

Exactly, what are the characteristics?

Marc

The audience wants to know.

Sid Paquette

What are the characteristics? If I could give that to you, a whole bunch of people would be very, very wealthy. I think it's definitely more art than science. Made tons of mistakes, you learn through those, and then, ultimately, you have some successes. You learn probably a little bit less through your successes, but then you start to piece all those things together. I would say, from a founder perspective, I'll tell you

my secret, and this I did all the time that I was an angel investor, I did it all the time that I was a VC, and I'm really proud of the investments that I made through that period of time.

What I do, and I still do this to this day whenever I'm contemplating an investment, is, when I'm listening to the pitch and founder's there, management team's there, what I always do in my head, as that pitch is going on, is I always put myself in the position of, okay, if I was otherwise unemployed, so I don't put a huge threshold that you have to take me away from RBCx or anything like that, if I am unemployed today and I've got options, would I want to work for you? And, if the answer is no, almost certainly I would not invest in you, and the reason I wouldn't is because everything is about the people, everything. Companies are not. Companies are aggregations of individuals. It's about the people and the team.

And my personal view is, if I wouldn't come work for you on this mission to solve this problem, and I look at you as this leader that I would want to work with, how are you going to recruit the A players down the street? How are you going to recruit the A players that are at other organizations that they don't want to leave, who are literally the best? And the answer is you probably can't, and, again, that is not a bad thing, it's just a thing. It's just something that I've done. And, again, it's not perfect, but it does help me in terms of, yeah, you've pulled me into the story, you've got me compelled about what it is you're doing, and you've been able to sell me on that. And it's not selling me on the investment, it's more than that. It's like, holy cow, if I wasn't working here, I would want to go work for you doing what you're doing.

I can't think of a better reason to invest in somebody. And so that's something, again, not a crazy secret, I've talked about it before, it is something that I do perpetually and will continue to do that over and over and over again. And it's actually worked reasonably well for me. When I started doing that, I got to invest in some of the best entrepreneurs in this country because, during pitches, when I saw them interact, I went, "Oh, my God, yeah, I would work for them," which means, if I would work for them, you would probably work for them and dozens of other people would. And then, at that point, you can build a big scalable organization.

Marc

Let's go down that rabbit hole a little bit. You've referenced the idea of teams and the importance of those individuals. One of the things that I hear when you describe that, I'm curious for your perspective on this, is ... you familiar with the two beers and the puppy test?

Sid Paquette

Yeah.

Marc

Okay. For the viewers that aren't familiar with this idea, so two beers and a puppy test is a sorting mechanism for how you deal with people in your life. The two beers test is would I like to have two beers with this person, yes or no? And, if you don't want to have two beers with somebody, you say, "Okay, I'm probably not interested in having you in my life." Two beers and a puppy test, the puppy part means do I trust this person with my new puppy to dog sit over the weekend? If you don't have the beers, but you might give them the puppy, that's pretty rare, but maybe, and, ideally, you're looking to surround yourself with people for whom you'd like to have two beers and leave your puppy with them over the weekend.

Okay. Now having given that long preamble to the question, I'm curious for your perspective as you think about investee companies, first of all, how much that founder dynamic in terms of the types of people, because it can be entrancing, somebody's very good at pitching, they're very persuasive, but actually, day to day, they're jerks. How much of that sense goes into your decision-making? That's question number one. Let's start there and I want to talk a little bit about how you think about building teams at RBC, because that sounds to me that's also part of the mix of the types of people that you're hiring and the types of teams, the A players you're looking for, and there's a dynamic there that I want to talk about next. But let's start with the investee companies first.

Sid Paquette

I think, so the two beers and a puppy, it's great. I actually like mine better because it goes a bit deeper. There's a lot of people I would have two beers with. There's a ton of people that I would say, "You want to take this dog? That's perfect. I would trust you with my puppy." For me, the idea of working with you, it's more than the pitch. I've got to spend some time with you, do some things. It's going to be way more than two beers. I'm going to think way more about you than just

babysitting my puppy for a day. It's really about where do I want to spend my time building something that's going to change the world for the next X number of years, which is a much greater commitment. And so, for me, that's my two beers and a puppy test. That's how I think about those things.

And so, I would say, for me, that's not differentiated in anything I do, whether it's investee companies or it's clients that I'm going to spend a ton of time with. At the end of the day, we only have a limited amount of time, and that's at the exclusion of friends and family and a whole bunch of other things, and so it's got to be with those sorts of individuals is my view, and so that's the way I would think about that stuff. The only caveat I would say on all of that, and I appreciate this and I constantly try to fight against it, is unconscious bias. And so, even though I have that in my mind, would I work for you, I always try to push myself on my unconscious biases as well, which to make sure that I don't like you because you are aligned with me, or you're more like me or more like my friends. I try to push myself on that.

I'm probably not perfect. In fact, I'm certainly not perfect on that, but at least I'm aware of it and trying to push on that thread a little bit more and just trying to, again, push the boundaries on that, and that's where I think teams are really valuable. We would never make an investment based on my decision alone ever, and we wouldn't do it based on anyone on the team's decision alone, and so we come together on these things, which, again, helps remove some of that unconscious bias as well, which I think makes better decisions ultimately. And that's why VCs don't ... certainly, in larger venture funds, there's teams of investment partners who get together and look at deals. They don't all have to agree, but you can't have 10 against one and still get a deal done. I think that stuff's important for that. That would be something that I constantly think about.

On the question in terms of RBCx and our team, again, it was very much the same philosophy. When we started three years ago, it was about, "Okay, who's the best at what it is and where we're going, and let's go ahead and get those people," and part of it's passion. Again, for me, I want to work with passionate people, which is partly that exercise of would I work for this individual? If they're monotone and they're not terribly excited about what they're doing, but they're trying to recruit you-

Marc

Probably not going to be a fit.

Sid Paquette

... I'm not going to go. I can assure you of that. And so part of... it's an honest passion. You're truly passionate about helping people, helping companies scale, doing this stuff, and, honestly, changing the world. And I say that a lot, our team says that a lot, "Let's have an impact. And, if you don't want to have an impact, that's great. There's lots of other places that are probably better fits for you, but if you want to have an impact, come talk to us. We're really happy to have you there." And we've got a bunch of philosophies internally, I think I talked about the A's hire A's, B's hire C's, there's a lot of other things that we do too.

Again, if I had an office, which I don't, but if I had an office, you'd probably see, on the wall somewhere, and it's my favorite quote of all time and I absolutely live by it, which is, "Don't hire chess players and treat them like chess pieces," and it's non-attributable. I've tried to find out who actually said that, and I've probably-

Marc

You got to trademark that one, Sid Paquette, 2023,

Sid Paquette

No, it's out there. It is not mine. I can't find who originally did it. But it's just that notion of, when we do hire people and we do bring them in ... I hate the term manager as well, and we're never going to get rid of it because it's just baked into our business culture. I hate it. I don't manage anybody. Our senior management team doesn't manage anybody. We're there to accelerate people. We're there to accelerate their personal lives., We're there to accelerate their careers. And then ultimately, that's really good for the business as well.

And so that's how we think about people, and part of that acceleration is, "Okay, let me understand what's really important to you. Probably, if you're here and within our practice, it's going to be aligned to our business, certainly from a business and career objectives perspective, and then let's work together to accelerate that," because, if we accelerate what you're doing and your career and your aspirations, guess what? It's going to be really good for the business as well, and we're all going to be in it together. And we are very much a lead from the front organization. However, we all lead from the front. We are shoulder to shoulder as long as you can go. And we're there, arm in arm, and if somebody falls back, we grab them and pull them forward. That's really how we've built this practice, and quite

frankly, we're looking for people who have that same mentality as well.

Marc

Yeah. First of all, it sounds to me like a high degree of trust in people to execute. You're looking for specific characteristics around enthusiasm, passion, drive. How would you characterize yourself as a leader? You're touching on some of those things. If I ask somebody on your team, "What's Sid like to work with?", what do you think they would say?

Sid Paquette

On the trust side, I would say that, if you were to ask folks on my team "how Sid is as a leader?", I would expect them to say, "A, he's very much focused on the people, B, he's focused on accelerating our careers, helping however he can," whether that's internally or externally, so certainly accelerating your careers. And then, on the trust side, they would say that I always have their back no matter what. I am not going to let somebody hang out to dry. We are in this together. If you're doing something, I'm supporting you on

that, which means if, ultimately, that turns out to be a bad decision, I own that as well, and so nobody gets hung out to dry. I suspect that's what you would hear.

Marc

Love it. Well, let's leave it there. What a great conversation. Sid. Thank you for joining us and spending the time.

Sid Paquette

Yeah. Thank you. This was amazing. Thanks for having me.

Marc

What a pleasure. As always, Marc Low for the Insiders podcast at KPMG. Thanks for listening, and we'll see you next time.