Ron Thompson of CAIL

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Interested in learning more about investing in startups? Launching a new startup need to raise funding. The Start of Funding Espresso is a daily podcast in a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso. You can learn about startup funding. To subscribe, go to Investor Connect DAUG and put your email

[00:00:39] Into the pop up box.

Speaker2: [00:00:46] Hello, this is Hall Martin with Investor Connect. Today, we're here with Ron Thompson, CEO of CAIL. Kale provides software to enterprises for connectivity, security and to modernize information services. Ron, thank you for joining us. Thank you. So what was your background before investing in early stage companies? What did you do before?

Well, I started off my career for a number of years in big enterprises to kind of see how they use technology. I was a computer programmer in the early days and then I got involved on the business side with pricing and making the market and all that kind of stuff to enable people to benefit with technology. So I did that for about 10 years, and then I was a founder of Cail. So I am a founder. So when we do venture investing, it's easy for me to relate to founders because that's what I was in the beginning and having a technical background. So you've got this way of relating to these founders to help them understand what's in front of them, well, provide the money and so forth to help them scale the business and be successful.

Well, that's great, so what excites you right now?

A number of things. We have a real interest in fintech and prop tech. Fundamentally, we like young technology companies, have a service or a product of interest to enterprises. So basically, if the Bank of America or JPMorgan Chase or U.S. foods or any other big organization would find your platform or service of interest, then we would have an interest in supporting those entrepreneurs.

And so we like that because there's a real need for these enterprises to innovate better and to fast track delivery, new services and capabilities, improving efficiencies and fundamentally transform over time. So to do that, to have any platform show, it's. That's its value to show the magic. You need data. And so all these platforms need access to data. And with the core software business, that's what we do. So if founders need insights and how to access these internal systems and enterprises, we can give very detailed insights about that and work with them to actually expand their connectivity capabilities to make their platform even better. Great. And so you see a lot of startups and a lot of investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check? There's a lot you need to do due diligence is really important thing about this, there's two aspects of this. Actually, there's three main ones. One is the value of the technology and the opportunity, the uniqueness of it, the business benefits it delivers. That's one. The other deals with the founders, the people. This is a huge component. So basically, are the founders good to collaborate with? Do they listen? Do they seek advice? Do they seem serious about success and help them one way or another to make it happen? And that means evolve the product.

I have high stickiness with it and articulate a very compelling value proposition and how your very important benefits on business terms. So that's the second. The third gets into the other investors. So basically, we're big believers in investor value. And so basically, if you don't provide value, add it's dumb money. So because they can kick it like my bank, they come to us. But the attitude is the same. And that's very problematic. So when you get involved with investors like kale and others who have knowledge and connections and value add, the founders need to be very aggressive pursuing that knowledge, picking their brains and trying to leverage this brain trust. They've got their disposal to improve understanding of the landscape where the opportunities are. What kind of metrics, what kind of issues there could be in the making and so forth. And fundamentally, where are the risks and how do we mitigate those kind of things? And so if you have some good investors who provide value, add you have a treasure trove of knowledge to really help you learn fast and to improve the chance of the business being successful. And in the end, it's all about managing risk. And these three main things to get a handle on when you're looking at investments is really important to understand that stuff so you can make your own assessments where the risks are, where the issues are and how to mitigate these things and benefit by the knowledge of others.

The founders, as well as the other investors, to fast track understanding how to scope things out and put things in the term sheet around contributions, but also terms like what triggered rebukes. And at some point, you know, there could be a thing with a change in the leadership team or change on the board of advisors or things like that, or because someone brought in a great partner that kind of changes that the dynamics. Well, how can we encourage more of that to happen to further fast track progress and reduce risk?

Great, and on the other side of that table, what's your advice for founders who are going out to raise funding? What do you tell them to do before they launched that campaign?

Understand the mindset I just articulated. So that and basically this is very challenging for founders who tend to be young and very technology centric. So, you know, you really can only be good at something. So if you're an excellent programmer, you should be grateful you have that talent because becoming a successful company involves many things is why you need this leadership team with these other competencies at a very high level so that you can decide not just on technology and technology strategy and direction, but also the business and the finances, and building out the support organization and working with the investors, and on trying to find good partners, how to build up ecosystems with other technology firms and other business partners.

So that's a whole bunch of things that you need to understand about this kind of stuff. So between the internal team having these competencies that you need to have advisors who can complement you and further add to that knowledge base?

Great. Let's talk about the state of the startup investing. How do you see it evolving from here? Where do you see it going?

It's a good question. Start up investing in many ways has not changed a lot over time, except where there's so many more ventures now, so many more markets and so many more tools to fast track getting to market. So compared to like 10 20 years ago, in theory, you're going to get to market much faster and much cheaper, you know, and make decisions to pivot sooner than later and all that kind of stuff now. So if you'd get on to something good, you can scale it much more easily now than before. So that's something to understand. That's what we talk about building of ecosystems around the product, but it also around the on the business side and go to market capabilities so that you've got this window of opportunity. And the idea is to get into it as soon as you can and evolve it as fast as you can to maximize the potential before it closes.

Speaker2: [00:08:41] What do you think is the biggest change we'll see in the next 12 to twenty four months?

The windows of opportunity opening and closing faster. And because of that, there's a real need for a sense of urgency by the founders as well as the major investors to really get a fix on what the opportunity is, what people are looking for and so forth. And so can you put yourself in the shoes of a purchasing agent or someone in an enterprise in some business unit trying to achieve something and things like that? So you need to be able to not only you know your own stuff, but also put yourself in their shoes. So when you talk to them, it's on their terms and they understand and so forth. And I work with other investors to try and help figure that messaging out. And even when you engage, maybe they're part of the team so that they can see they've got the technology people in the room and some of the business people in the operations, but also some good advisors who come in because they've got background in this space and they can talk about evolution and transformation from a business perspective from several decades of experience. And that's important to build credibility with the potential buyers that not. You have a good product, but there's context here and they could see here we are now, five, 10, 20 years out. These are the kind of capabilities that we need, both in terms of tools, but also be brain trust around it that will make it even better and expand our opportunities and reduce our risks to evolve the business.

Speaker2: [00:10:17] So the more we can do to kind of bring that together, the better.

So let's talk about your investment thesis. What is it and what's your criteria for choosing one deal over another?

Well, part of is what I've already articulated around technology, the platform, the market opportunity, the founders and the other investors, you know, this brain trust that forms things like that. And so you kind of get into this where as much science as it is art. And the more you get into something, it's an interesting combination like, for example, Paul McCartney can't read or write music, but he can write. He can do great tunes because he's very sound oriented. And turns out, a lot of people who are naturals are like that. And so people like Bill Gates, Steve Jobs and all the others that came along had these early visions at the ten thousand hours in early. Have a huge advantage doing this. And rest assured, those people had some really good advisers around them and made some really smart moves because the way it was set up and what can you do to get yourself around good people like that and create a good forum to improve your chances of success? So we look for ventures that those founders kind of understand that kind of stuff, or they're asking questions to help themselves learn how to play the game.

Speaker2: [00:11:44] You talk about one or two startups that maybe you funded that fit that thesis. You don't find it in totality at the gate. You see some things that yeah, the person gets it. Other things, you hope they will get it. And so what we do is we will send in questions or we will forward things that we see from the news that could impact their business, and we'll ask them, So could this be something that you guys should check out or check these guys to be a partner out? Or is this a potential customer or some other way it could impact the business? And we see if they respond in kind to that suggestion, and you would not believe how many times you're blown off. So we do this before we write checks just to kind of gauge attitude. So you look for aptitude, attitude, competency, you know, being serious about success and also that's a shared understanding of what success needs. Well, I've seen founders when they got one hundred people debut, that's being successful, even though they're burning a block of money. Do I look a success? I got to a bunch of people. And even if you're running a deficit yet, you can see that it's going to end at some point and become a highly lucrative business as it scales.

Speaker2: [00:13:11] Now, everybody knows this is the theory. Interesting what people get into. Make, try and make it happen. They raise a few million bucks. It's amazing how many founders kind of start thinking they're it, and this is a great thing. They had their empire, their people, things like that. And that's all that really matters. So it's very self-centered and very, you know, it's just whatever, but it's not business. And so the fundamental understanding is when you start taking money from people like me, it goes from being a hobby or a family concern to becoming a business. And when the pieces get involved with the later stage rounds, it better be a business because they look at the whole thing on the business model with market opportunity and and end. And they insist on kind of like certain Beatle rights, a certain presence and things that the board level. And andand so the sooner the founders understand, that's how the game evolves and the sooner you kind of get on to it, the better it is because then you're on the same page. And a big thing here is being on the same page, learning fast evolving and being very entrepreneurial and opportunistic and working that brain trust to figure it out and know how to test and pivot and push. So what do you think is the main challenge that is facing today's market and watching their business? Like they've always faced. They don't know what, they don't know, how many times they don't want to know.

Speaker2: [00:14:46] So we look for this in our due diligence. And it's basically it's attitude. And some people like, you know, they just don't know. They don't really they they want to do it because their friends talk about it and it's cool. And or to be an entrepreneur these days, it's cool. It's the thing to do. Whereas 50 years ago, to go work for a big corporation was the thing to do. So the definition of of success, the aspirations and what people get them going has changed. So these days, it's entrepreneurship and they see all these things getting done in technology and they all figure that the next Bill Gates and I can tell you there's one Bill Gates. So you figure out how you can be unique and how to help to have this mindset and learn a lot and and and to be able to contribute and to for the business to be successful. So what are the challenges investors face in today's market? Lots of investment opportunities. Puns like, for example, in the fintech sector alone, do you how many young companies there are, how many? Ten thousand. That's a lot to deal for. Yes. And those all over the world and all these incubators, accelerators and the way guys look at this thing is there's ten thousand fintechs kind of like ten thousand gnats on an elephant. And this is what the what the banks are facing because these fintechs will target a specific area of financial services, student loans, corporate loans, personal finance, other things in the sharing economy, stuff like that.

Speaker2: [00:16:30] So even though that one area when it gets lost in the bank, it's not an issue. But if I have ten thousand tech companies doing something and let's say 50, make a go of it, chances are in aggregate I got a problem even if I'm Bank of America. That's the issue they have as code. And you look at it, let's say there's ten thousand that's on an elephant. Most people do any damage, but over time a few will get through. And in the end, the outfit's going down. There's just too many. And that's the same thing with the fintechs. So the reason that we look how we look at this is that these enterprises need to be much better at innovation, business innovation. So one of the reasons we started the innovation practice here at Cail is we saw the challenges with these startups trying to get enterprises to buy their stuff. And we looked at it and like, what's going on, it's obvious. But, you know, these big enterprises like, you know, who do you target? And they got to get a committee going and they got to get by and they got they got to do that. And of course, the business has one set of needs. It looks at this is more work and whatever else it is.

Speaker2: [00:17:49] So it's just challenging to get things done. So we formed this innovation practice that if a startup has an opportunity and for some reason the sales are not progressing in enterprise. Maybe we should target their their management about innovation and having the mindset about how to be more open and how to be more opportunistic, more entrepreneurial and andand and the sight of this fact like these ten thousand fintechs? If you reject this guy, you reject the next guy. At some point you're going to have an issue because you're not really changing, you're not doing the new things. And what's happened is all these fintechs are going direct. So you're you're going to either not see new customers or worse lose customers. And so you need to have this mindset about how to deliver value and become much more digitally sophisticated and and much more responsive and opportunistic and realize that. Now you do these new things, is that one in 10 might be a success, but I don't try the other 10 nine on never find the one. And I got to do that, probably on a semi-annual annual basis. And the reality is I might need one hundred or five hundred or a thousand ideas to have 10 things to go up. Do a pilot on and maybe one or two of those things pans out. There's a whole mindset around how to innovate for impact.

Speaker2: [00:19:14] And once you get her onto that, then looking at these startups, working with them is like a no brainer. Otherwise they sit there and they enable gaze and the valley of indecision. And you know, things don't happen. Great, so we've talked about a number of applications and sectors today, but if you had to pick one or two of them that were really good opportunities for investors to pursue. What do you put at the top of the list today? Oh, geez. Actually, it really is no. One area that is meaningfully better than another. We like fintech, we like prop tech, but there's, you know, in short tech, there's ag tech. There are a lot of stuff in biotech. You know, the whole health care field is huge and and in so health care is interesting because there's such a need for the new in health tech. But the blockers to adoption and and end is huge, both mentally with the establishment, the cost and andand. So it's just very problematic to affect change in health care or in government. And in fact, the larger the organization. In the more entrenched the industry. The more challenging it is to effect change and so cut, these young tech companies come along and they see these great big Fortune 500 companies and they just like looked like whales just taking in the money and there's no nothing going on there, just cut them around a hundred years. Now look at that.

Speaker2: [00:20:45] Holy cow. That's a look at what what Robinhood did for trading. And look, what a bunch of other companies have done, like Amazon for retail and Apple for music and Uber for transportation and Airbnb for a combination like those are just the early examples of established industries changing and they're just getting started. So you look at that even with Uber now, the whole thing around electric is coming in. So the whole transportation sector is further changing. And what are the chances of the major auto companies being players? Twenty five years from now, as this market continues to segment in, these new things keep coming up and it's all technology driven. The working hard to do it, but it's not the mindset of management. And furthermore, the senior executives in these big established companies don't have a technology background or understanding of digital or feel for it, and they're being asked to connect millions and billions to new digital initiatives. How do they decide? Very challenging. That's what we try to get there with them, with innovation practice to explain this kind of stuff and give these guys a chance and yeah, there's going to be failures, but I got to find the one and I got to find another. And over time, I like making that easier and better to be more successful if I don't get on with that path. At some point, I'm going to be either bankrupt or bought.

Speaker2: [00:22:11] That's the that's the situation. So it is what it is. It is.

So in the last few minutes that we have here, what else should we cover that we have it?

I'd like to sort of talk on risk the changing nature of risk. So I got some friends who are quite senior with some big companies and their notion of risk is based on decades old concepts. They're going to establish industries, tangible products and and then and they look at if they make incremental changes, evolve that product and then I can evolve my core. And that's what they feel comfortable doing. However, because of all the emergence of digital rising user expectations, the whole business landscape is changing and then then is the nature of risk is changing. It's got to the point that if I don't. Try. It's actually riskier as actually riskier to not try than try. So I need to be trying. And the more you can have people around you that have a shared vision of where we're going to go here and can contribute with different domain knowledge insights, and and-and then you can better manage change, be more successful transformation and over time reduce risk. And you have to ask yourself, what do I want to be doing in five, 10, 20 years from now? The people want to deal with me. How can they increase relevance in revenue? And if you talk to the senior executives and it goes into, well, those new services, new capabilities and the user experience? Well, you know, these people struggle with even how to relate to that stuff, let alone how to deliver on it.

Speaker2: [00:24:03] So that's why the big enterprises are vulnerable to fintechs and to other technology companies. So I would advise we want to manage risk. You've got to develop this digital mindset. This digital competency and partner more aggressive with these technology companies and do it at peer level, not because you crack one hundred billion in revenue and they crank a billion. Therefore, you have to say no. If you if you think that's how the game is played, you wait five or 10 years and the numbers will be reversed. And so you have to understand that's the nature of the business landscape, the emergence of technology and the whole mindset with the people involved making these things happen. So you want to be successful? Understand the changing nature of risk.

Well, that's a great advice for all startups and investors out there. How best for listeners to get back in touch with you?

Easiest way is to send me an email to our Thompson at S.E.A.L, or go to my LinkedIn profile and you can see more information there. So it's Ron Thompson with S.E.A.L. Right?

We'll put those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Very good. Good talking to you.
hank you.

Speaker1: [00:25:22] If that's your connect helps investors interested in startup funding in this podcast series experience, investors share their experience and advice. You can learn more at

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