

Investing in Companies Based on Management Behavior: A Conversation With Karim Mawji, Founding Partner and Head of Research at Paragon Intel



Mawji's background includes 25+ years as an entrepreneur, senior principal investor, M&A and restructuring advisor, and operator of troubled companies with firms including Morgan Stanley and Deloitte & Touche. Most recently, he co-founded Paragon Intel, an alternative data company that translates management behavior into actionable investment ideas.

Founded in 2017, Paragon Intel gathers and provides data on management teams to better help investors develop informed insights on the companies they invest in. In an interview with Karim Mawji, the company's Founding Partner and Head of Research, he explained how there has traditionally been a large community of investors who primarily analyze the company and places less emphasis on qualifying the human capital component. Paragon seeks to integrate analysis of both elements, based on the principle that the "degree of fit" between management and company typically adds or detracts significant value from investments.

Within Paragon Intel, a team of ex-hedge fund managers and analysts, investigative journalists, and ex-intelligence officers leverage their diverse expertise to perform comprehensive investigations and analysis before and after major structural changes to a company. "CEO Change" is a solution pioneered by Paragon to help investors capitalize on management change and accompanying strategic and organizational restructurings. Whenever a company hires a new CEO, Paragon employs its investigative journalists to conduct interviews with the new CEO's former colleagues, typically spanning their career from college to their current role. Mawji believes that a leadership change often occurs because the CEO has been unable to execute on their mandate and that sometimes skills a CEO has built throughout their career may no longer be applicable to the challenges the company faces. Thus, analyzing the new CEO's capabilities, decision making, and track record provides insight for investors on whether their leadership will "create or destroy shareholder value."

A second Paragon product is "Jettrack," which utilizes flight data and algorithms to predict management actions. Relying on a global network of ground receivers that communicate with aircraft transponders, "Jettrack" maps the flight patterns of company aircraft. While most flight information is publicly available, "Jettrack" employs proprietary algorithms to run deep analysis on the data. Mawji describes this process as "finding signals within noise." These valuable signals may proactively forecast strategic events such as mergers and acquisitions as well as other corporate actions.

Paragon generates real value for investors by "translating management behavior into actionable investment ideas." Indeed, there are strong financial incentives to pay a subscription to gain access to the data. Although institutional investors and their firms may gather their own intelligence, it is typically prohibitively expensive to establish the internal resources on a parallel scale and depth to that owned by Paragon. Furthermore, certain data is not easily accessible without Paragon's technology. According to Mawji, "there is a third of Russell 1000 companies who file with the FAA to have their flight records blocked from public dissemination." These companies are generally large and sophisticated, and recognize the insight that can be gained from their activities and flight patterns, which is precisely why they seek to conceal this information.

Throughout the conversation, Mawji has drawn from his educational achievements, including an MBA from the University of Toronto, as well as his broad experience within the investment management industry. Mawji ended the interview by giving valuable advice for selecting a career. He explains that one should pursue extensive self-evaluation. One strategy is to create a Venn diagram of three circles: passion, strengths, and specific skills. Identifying those opportunities that intersect three categories maximizes one's probability of selecting the right career and achieving the success each person desires.

"Leadership will create or destroy shareholder value."

– KARIM MAWJI, CO-FOUNDER OF PARAGON INTEL AND HEAD OF RESEARCH



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