



## Robert Herjavec

CEO and Founder, The Herjavec Group

**Editor's Note:** In this issue, *martinwolf* interviews Robert Herjavec, CEO and Founder, The Herjavec Group. Robert Herjavec is one of North America's most recognizable business leaders. A dynamic entrepreneur, Robert has built and sold several IT companies to major players including AT&T and Nokia, on his way to amassing a personal fortune. Following a short retirement, Robert recently launched The Herjavec Group (THG), a \$125 million managed security company that is recognized by Profit 100 as one of the fastest growing technology companies in North America. Robert demonstrates his entrepreneurial expertise through his leading role on the Emmy nominated, hit American TV show, *Shark Tank*, now in its 5<sup>th</sup> season on ABC.

**MW: Why did you get involved in the IT Industry, and why IT Security in particular?**

Because I couldn't get a job anywhere else! I worked in the film industry, and my roommate at the time (who is still a best friend to this day) had a degree in Computer Science & Business. He was getting a job interview with a guy who ran IBM marketing, and I was 19 years old and the starting salary was \$30K and I thought "Oh my gosh, that's so much money!"

So I just happened to get into it, and when I got into it, it fit me well. I'm very good with change and I love forward momentum, and the basis of this industry is forward momentum. I'm an idealist—I think that we are changing the world for the better.

I got into IT Security because I saw the growth of the Internet. For me, the Internet was never about selling stuff online—it was the ultimate communication tool. And just like any communication tool, you have to be secure. So I've been doing it for a long time—I sold one of the first VPN appliances in North America.

**MW: How does The Herjavec Group stay ahead of always evolving security threats? With new developments there are always new security concerns—what is your strategy for addressing them?**

So the first thing is that we have to accept the fact that the threats will always be there and we have to evolve. I always tell our customers that cyber crime is the only crime you can commit without physically having to be there, and the odds of being prosecuted for it are very low—less than single digits. Cyber crime will never cease to be attractive to bad people. The way we stay ahead is we are very heavily involved at the grassroots level with customers, from a logging

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and research perspective. We have a lot of connections with governments and agencies that are involved in threat research and we also know a lot of the VCs investing in the space. I think we have a very good view on what is happening in terms of attacks, what will happen in the future and what you should do about it. It’s a constant process of vigilance.

***MW: What opportunity does the “Internet of things” provide for IT Security companies? Is that going to be the next frontier or is that already something you’re seeing?***

The “Internet of things” is really about scale. Everything we are doing today is growing on an exponential scale. If you look at how many devices are going to be connected and the pervasiveness of the Internet, all those things will have to be secured. The reason we never fix security is because it’s very difficult to fix something when the attack vector is constantly changing. Today it’s mobile, tomorrow it’s cloud, the next day it will be cars, it will be transportation, it will be fridges, it will be something—the attack vector is constantly evolving.

***MW: What is security as a service? And how is what The Herjavec Group (THG) offers different from traditional security offerings such as those by Symantec or McAfee?***

It’s not so much that we provide Security as a Service as much as we provide Managed Security. It’s a subtle distinction but I think it’s an important one. I always tell customers you should never fully outsource security. Customers should always keep the intelligence and the ability to make those key decisions in-house, but all the hard work below that in order to get to the intelligence—like logging, analytics, 24/7 monitoring and administration—you’re better off hiring a security expert like THG to do that than building it on your own. We are better at it, we have more people doing it and we see more data across your industry vertical.

How are we different? We are very, very good at managing large, complex environments. We are not a vendor, we’re not an IBM who is really focused on supporting and managing a single technology, we are not like a Dell who wants you to use proprietary technology that they have—and I’m not saying there is anything wrong with either of those approaches—but we are very good at taking existing environments and getting the most value out of them for our customer.

***MW: Why do your clients tell you that they go with you as opposed to a Symantec?***

It is a combination of the services, our experience, our understanding of Managed Services and our ability to integrate a full suite of services. So part of our Managed Services is that we also have a

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remediation team that is directly tied to that customer base. We also have a consulting team that assesses vulnerabilities, penetration tests, reviews compliance and advises on policies. So we take customers right from "how secure am I?", "what should my policy be?", "is my architecture set up properly?" to then implementing process and technology, managing it and remediating it in the case there is a data breach.

***MW: Do you see all software eventually transitioning to cloud-based offerings?***

I think it's a great question. I think our understanding of what a cloud is will change. So, the short answer is yes. But the long answer is what we designate a cloud will change. I see private clouds taking on some of the large enterprise applications. What we have learned in the last 10 years is that consumers really rule the enterprise now and not the other way around. The enterprise used to be able to dictate how business information was processed to the end-users. If we have learned anything from Blackberry, it's that consumers rule the enterprise. They're going to consume information the way they want to get it. Delivering it in a cloud-based setting anywhere is the way to go. But it does not mean it's going to be a public cloud with everybody on it—it could be a private cloud, it could be a shared cloud, it could be a fully encrypted cloud, or it could be a cloud between two users in a trusted community. So, I don't think we quite know what it's going to look like.

***MW: As far as the cloud space goes, generally the big names are Microsoft, Google and Amazon. Is there room for all of them in the cloud space or do you expect to see one dominate?***

There is definitely room for all of them. But I think you certainly have got to believe that Amazon is the front-runner. I mean, look at the growth of Amazon. AWS is one of the fastest growing tech companies and I know their internal projections for growth in the next few years – it's incredible. It seems like everything is moving to the AWS cloud.

***MW: Even the CIA.***

Yes even the CIA. You're right, people we never thought would go there are going there.

***MW: With all the major data breaches in the news have you seen increased demand for your company's Managed Security offerings?***

Yes, for sure. I think where we have seen more demand is in remediation. People want to know if they've been breached, and once they've been breached they want to be able to remediate and find out what's going on. We are up 40% last quarter from a year ago overall,

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and in that part of our business we are up over 100%. And we are growing globally, because our customers are saying to us, “Well, hang on—if I can be breached and it doesn’t matter where I am physically located, then I have to have the same sense of security about my systems in Europe as in China.” So we’re finding that global footprint and we’re in the 11<sup>th</sup> hour right now acquiring a small security company as a foundation in the UK, because we see the world as interconnected and you’ve got to start becoming a global player.

***MW: How is your company achieving such significant growth rates?***

Part of it is being in the right place, at the right time. We are highly motivated, we feel like we have a once in a lifetime opportunity, and most importantly we really love security. Security is not a hobby or something else we happen to do. We are not a manufacturer of servers or storage that happens to have a security division. We are a security company and we are passionate about it, we are driven, we are motivated and we run a very good business. Someone told me a long time ago that the purpose of business is to create customers, and I think if we take care of our customers everything else kind of works itself out.

***MW: What role has M&A played in the growth of your company? Does it play a significant role?***

Well, in 10 years we have made 6 acquisitions. But the challenge for us today is in the M&A world, the valuations are going through the roof. You look at the Mandiant acquisition, you look at some of the multiples that services companies and especially security companies are getting, it’s getting more difficult for us to acquire. We have no interest in being acquired. So it’s like you own a house and your house doubles in value. But unless you’re going to sell it, it’s really not that interesting.

***MW: Tech stocks are seeing substantial returns and S&P 500 is at record heights. Are valuations too high?***

Well, valuations are right for the right companies, and too high as a general rule. Not everybody is going to survive the shakeout.

***MW: Do you expect that soon?***

I think that there are certainly stocks in the last 18-24 months that have been severely overvalued and some of them have come down to earth. Look at FireEye, look at Splunk, look at some of those valuations—on a pure revenue basis, it’s very generous.

***MW: What are your thoughts on the Blackstone/Accuvant transaction earlier this year?***

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You know you’re in the right space when the Blackstone people step in. I once went out to dinner and somebody tweeted, if Robert Herjavec is eating in this restaurant it must be a good restaurant. With the TV stuff, people just assume I’m this fancy food guy and everything. I kind of feel that way about Blackstone buying Accuvant. If Blackstone is in my neighborhood, I must live in the right neighborhood. I like the Blackstone guys; they are smart M&A guys, they know how to run a business, they know how to flip a business for profit. But I have been in this business for 30 years and the one thing I have learned is that it is very difficult to be successful in the security business unless you are truly in the security business. I have seen large companies come and go. I mean every few years carriers and manufacturers want to get into our business – but you’ve really got to know your stuff. I think it’s interesting but I’m not sure it’s good for them as a security company.

**MW: Do you expect to see more M&A in the IT security space?**

Yes. I expect continuous growth in M&A. I predict a lot of M&A in the next 24-36 months.

**MW: In closing, what’s next both for the space as a whole and for The Herjavec Group?**

The first thing is that we are seeing enforcement of policies and securing of the cloud. Even with public clouds, people want to know where their data is and who is using it. Look at the phenomenal growth of companies like Skyhigh Networks. People want to know which services their users are going to. I think we are going to see more of that. I think that the growth of malware will continue and we are going to see more proactive end-point products to monitor users. So companies like CrowdStrike are going to continue to grow. I don’t expect a revolution in security, I expect an evolution which will continue to build. I think that we are moving to a proactive secure environment as opposed to just a reactive environment.

With the acquisition of Accuvant we feel there is a market opportunity there for us because they will be distracted for a long time. With the acquisition of FishNet and the acquisition of Forsythe, right now we are probably the largest independently owned Managed Security provider in North America. But we need to scale up and we have to continue to grow where our customers are and expand regionally and geographically. My priority is in the US. In Canada we are the Accuvant, FishNet, and Forsythe combined in terms of market scale. But we need to expand in the US. We have recently done so and we are having a tremendous amount of success but we need to continue to do it.