



Kelly Scanlon: Joining us on this episode of Banking on Kansas City is Jeff Hargroves, the founder and a current board member of ProPharma Group. Jeff shares with us the entrepreneurial lessons he learned by building the company from nothing in 2001 to a global enterprise that serves six continents with 675 clients and more than 1100 employees, and then successfully selling it. We'll also find out how ProPharma is setting trends and what makes the Kansas City area so ripe for bioscience innovation. Welcome, Jeff.

Jeff Hargroves: Thank you, Kelly.

Kelly Scanlon: Yeah. So let's dig a little bit more deeply into what ProPharma does. I know that regulation compliance is a really big part, an important part, of the bioscience in medical industries, and I know that that's where you come in. So how does ProPharma work with life science companies and how do your services make a difference?

Jeff Hargroves: Well, ProPharma Group provides a range of compliance-related services to human health companies, animal health companies, and medical device companies around the world. The primary services are centered around serving the companies, and really acting as their liaison and carrying out their mission. So one segment of our company helps drug entities start up new manufacturing sites, and we'll go in and demonstrate that everything works properly and meets all the FDA requirements.

Jeff Hargroves: Another segment, the medical information allows us to essentially answer any questions that a person or a doctor may have about a drug or a medical device, and really act on behalf of the company to make sure that their information is being promulgated through the industry accurately.

Jeff Hargroves: And a most recent part of the business is to add in pharmacovigilance services. And so that's addressing any of the adverse reactions or events that may happen when people are using drugs or devices; making sure that information is collected, collated and eventually reported back to the regulatory authorities such as the FDA in the United States.

Kelly Scanlon: Okay. So really, you're talking about three things if I heard you correctly. You are ensuring that regulatory expectations are met, that the company's business goals are achieved and that patient safety is protected with the last part that you were talking about.

Jeff Hargroves: Yes, that absolutely sums up the primary business.

Kelly Scanlon: What inspired you to start this company, and did you ever think that it would achieve the success, as big as it's grown? Did you have that on your radar when you first envisioned the company?

Jeff Hargroves: Well, I guess as I started the business I can't say that I had the vision that it would be at the size that it is today. I really hadn't been around the word entrepreneur much until I was well out of college. And I was fortunate to have worked around some good entrepreneurs early on in my career, and a couple of them took me under their wing and kind of taught me the ropes and how to really run a small business.

Jeff Hargroves: And then over the years as I built my career, I got the opportunity to hire and use a lot of consulting businesses and other types of service vendors; and started to form a vision of how I thought you could deliver services, how you could do it right, mistakes that you shouldn't make, and how to build a business. And then eventually about 15 years into my career, just decided it was time, and that I had enough knowledge to jump out and start a business of my own. So I would say mine was more gradual than an instantaneous experience.

Kelly Scanlon: What was it that led you to develop this kind of business?

Jeff Hargroves: So I'm a computer and electrical engineer by training, but I started off in the drug industry in my second job. And then over the years I always stayed in the drug industry, but I worked in different roles in different companies, and that eventually even took me out to Silicon Valley.

Jeff Hargroves: And I will say that living out there, you're immersed in an environment where being an entrepreneur is normal, and failure is accepted. And so I learned a lot about just that entrepreneurial community and gaining the wherewithal to take some chances. And if you fail the first time, you just get up and start another business and try it again.

Jeff Hargroves: And so when I moved back to Kansas City and then had the opportunity to start a business, I also had a little bit of that knowledge of what it takes as a person and what it feels like to take some of those risks.

Kelly Scanlon: Mm-hmm (affirmative). As I mentioned when I introduced you, ProPharma has experienced just phenomenal growth since you founded it. And in fact, back in 2015, you were experiencing a three year growth rate of 131%. And we're not talking about going from \$100,000 up to whatever 131% of that is, we are

talking about big dollars so 131% was really big. Your six continents that you serve, over a thousand employees and you're still growing. Have you had a growth strategy in order to achieve that level of growth? Has it just all happened organically? How have you achieved such growth?

Jeff Hargroves: Early on, we, myself and some of our leadership, even when we were 10, 15 people, started to be diligent about strategic planning. And for many, many years up until now, we have a very formal strategic planning process where every two years we take another look at the whole industry, we take a look at ourselves, we see what we think the industry needs, we see what we think we're good at; and then we decide the two, three, four things that we're going to try to accomplish over the next couple of years. And that process has always served us well.

Jeff Hargroves: You mentioned organic growth. That has always been a significant part of it. We have always tried to stay disciplined that any business that we are currently providing has to be a growing and thriving business, and the same with anything that we would potentially acquire. So many of our strategic decisions over the years have included shutting down a service offering that we had that just wasn't meeting those criteria. So we've tried to be rigorous about the strategic decisions.

Jeff Hargroves: Acquisitions have been an important part of that over the years too. When we decide that we want to say add a service or we want to move into a new region, we evaluate, will it be better for us to do that organically or will it be better for us to do that by acquisition?

Kelly Scanlon: And when you do target a company for acquisition, what is it that you're looking for in that company?

Jeff Hargroves: We'll have specific criteria that we're looking for and the reason where we're looking at acquisitions. We don't acquire just to build top line or bottom line. So we'll either want them to be an expert in a particular service or want them to be present, say in Australia or a strong presence in Eastern Europe, and so we'll certainly evaluate that business ability.

Jeff Hargroves: For us, we always have to be acquiring businesses that are accretive. We don't have any reason to acquire a business that isn't going to add immediately to the bottom line. They have to match our culture. And that's the main reason that we will walk away from different acquisition targets is if we don't feel that they match our culture. The experience that we've had over the years is that if the cultures aren't aligned, then no matter how profitable or great that business is, if the cultures aren't aligned, it's going to fall apart and the financials are going to fall apart. So making the culture match is just vital.

Kelly Scanlon: And how would you define your culture? What are you looking for when it comes to culture?

Jeff Hargroves: I focus on taking care, certainly of the clients, but also taking care of their own employees and colleagues, and that has been a secret to our success over the years. We have found that if we hired great people and we take care of those great people, they will in turn take good care of the clients, and the clients will reward us with more work. And so if we break that cycle at any point, we're in trouble. And so when we go out and are looking at acquisition targets or opportunities, we have to have that mindset in the leaders of that other company.

Kelly Scanlon: Yeah. That is a message that I hear over and over again from successful companies and it's so on point. As our listeners today, many of them are entrepreneurs, so what advice would you give to other business owners who are thinking about acquisition as a growth strategy?

Jeff Hargroves: Yeah, yeah. I think it's important to know why it is that you want to do the acquisition. I think sometimes people get into the mode of thinking they need to do acquisitions just for the sake of doing acquisitions or just to increase top line growth.

Kelly Scanlon: Bigger is better?

Jeff Hargroves: Yeah. And there needs to be, I think, a reason to and a strategic fit with those target entities. I also think it's just vital to have all of the right expertise at the table early on to evaluate the acquisition targets. So are they buttoned up from a legal perspective, from a financial perspective, the culture that we talked about in all of those areas so that you don't waste a lot of time going down the road of acquisition discussions with people that aren't going to work out; and you could have figured that out earlier if you were just had the right people at the table.

Kelly Scanlon: Exactly. You mentioned a little bit earlier about some of the things you learned from Silicon Valley that there's a culture of entrepreneurship out there, it's okay to fail, but is there anything about being based in Kansas City, especially when you were first starting up, that's been an advantage for ProPharma as you've grown it globally?

Jeff Hargroves: Well, I think particularly from a life science perspective, the Kansas City region is exceptionally strong, and I've continued to be impressed as we've grown over the years. So even the vendor support that we needed, so the legal, the banking, the accounting, tax; we have world-class expertise in Kansas City and that helped us all along the way.

Jeff Hargroves: We were able to hire all of the internal talent, so the HR, the finance, the IT, and then all of the areas of technical expertise that we needed in and around Kansas City because we just have such a long legacy of healthcare and life science companies. So that's been great to see that play out over the years.

Jeff Hargroves: We also have, I think, some exceptional industry organizations, BioNexus and the local chapters of Bio, so with MOBIO and Kansas Bio; and then a lot of the other industry organizations have a presence in Kansas City. And then the great entrepreneurial organizations. So with Pipeline, HEMP, other Kauffman programs, we're just so blessed in Kansas City to have such a pool of experts to help entrepreneurs and business people succeed.

Kelly Scanlon: As you started growing ProPharma and started reaching out into other areas of the country and then globally, are people surprised to learn that about Kansas City?

Jeff Hargroves: Oh, absolutely, and I wish that wasn't the case. And a lot of people in the US are not as surprised because a lot of the people in Boston and San Francisco and the other big life science hubs, they know we're here. They know about the range of capabilities that are present in Kansas City, particularly the the size of the animal health community. I think a hidden capability is with our clinical research organizations. Kansas City has a great quantity and quality of clinical expertise as well as the manufacturing expertise.

Kelly Scanlon: One of the challenges, a huge challenge actually, for founders is to know when to step down, to step away. Now you remain on ProPharma's board of directors, but you're no longer part of the day to day. You sold to a private equity firm a few years ago, I believe, in 2016. So tell us about that journey and what advice do you have for other founders about turning over the role of CEO?

Jeff Hargroves: For me, there were a few factors that led me to the decision that the time was right. At a personal level, the age of my kids was a significant factor. They are early to mid-teenagers, and I saw the opportunity to grab a few years of time with them before they got out of the house.

Jeff Hargroves: Now when it comes to stepping away and turning over the role of CEO, I think it's important to do that, to turnover the role of CEO. And I see so many people that sell the company but stay involved, and I think stay over involved, and don't fully give the reins to the new CEO. So we've worked really hard to ensure that even though I'm still on the board, I try to manage myself carefully to not interfere and to transition almost immediately to a board role and not a management role; and that's difficult. I think it gets difficult on a case-by-case basis, but I think it's just vital to hire the great replacement and the new CEO to come in, but then give them the freedom and the wherewithal to accomplish things on their own.

Kelly Scanlon: Absolutely. And over the years you've taken on investors. I mean, you've been at acquiring companies, you've been growing and so you've been taking on some investors as well, but you've been very selective about who those investors have been. What did you look for in an investor and what's your advice to other businesses who are considering taking on investors?

Jeff Hargroves: I think it's important to know if and why you need investment. I do see people that it seems to me are looking for investment just because they've been asked whether they have investors so many times, they think they need to. Or they just think it's cool to get investment, and that's not always the case. And then right after that comes understanding what type of investment or what type of money do you actually need. Perhaps a loan is all that's needed. It could be private equity money, it could be venture capital money or other avenues. And so taking some time to work with the appropriate financial folks to understand what the most appropriate type of investment is, I think is a very important step.

Jeff Hargroves: Another one that I think is important, and a lot of times folks don't take enough time on this step, is understanding who the right private equity or venture capital partners are. Most private equity firms or venture capitalists, they have a particular focus. It may be a market segment. They may only want to invest in companies that they can have control of. They may only want to invest in companies that have a capable leadership and management group because they don't want to have control. And so understanding all of those parameters and what you want from an investor and how they are configured can save just a ton of time and help you identify who the right partners will be.

Kelly Scanlon: I'm glad you pointed one thing out. You said that you really need to know why you're taking on the investment. And over the years that I've been involved with the business community, I have seen so many startup founders need a new website, for example. And that's not to minimize needing a website, but they need something like a website and they don't have the cash to do it, so they find somebody that'll do their website and they will give up shares in their company in exchange for that website. And so what happens if you're hobbling some basic services like that together by giving away shares, then when it comes to real investment like the kind you're talking about, you've got all these other people to deal with then. I mean, can you talk to us about that? Because it's just something I see a lot of.

Jeff Hargroves: Yeah, I do as well. And I think what that also reminds me of that can commonly be forgotten is that usually the best investment money is to go out and get clients.

Kelly Scanlon: It's very true.

Jeff Hargroves: And serve those clients well and they pay you, and that can turn into the investment into the needed infrastructure. And I really do think it's something that sometimes people can lose focus and go out and spend more time talking to investors than they do their own clients.

Kelly Scanlon: Yeah. Yeah. So has there been anything about your company's story that surprised you, Jeff?

Jeff Hargroves: Well, maybe not surprised, but certainly pleased with just the world-class quality and experience of the people in our region that we were able to assemble to put the company together. And then the low turnover over the years and the ability to keep those people together. I will say though, I am certainly surprised by the company growth. So I thought we had a solid idea, I thought the business could grow. When I started Pro Farmer Group, I had no idea that this thing would be worth hundreds of millions of dollars and still be growing. So yeah, that was certainly a surprise.

Kelly Scanlon: Yeah. Now where I sit, where I'm sitting right now, it looks like you've grown this company, that it is phenomenally successful, but how do you define success? And by your definition, do you think that you've achieved it?

Jeff Hargroves: Well, my definition of success has evolved over time and I think it continues to evolve as I get older. A helpful exercise I did with a personal coach a few years ago... Hopefully this doesn't sound too morbid, but it was to work on my obituary-

Kelly Scanlon: Mm, interesting.

Jeff Hargroves: ... and what would I want that to say about me. And for most of us, that really defines what success is. And frankly, there wasn't a whole lot about building a business. And so for me, it's right now primarily about whether I'm using my gifts and my talents to serve others, particularly my family and my community. So I am trying to get more involved with philanthropic initiatives and civic initiatives, and spend more time and use more of my gifts and talents to serve others; and that is a work in progress.

Kelly Scanlon: Well, along those lines then, if money were no object and success was guaranteed, where would you be in five years?

Jeff Hargroves: Five years... I think in five years I would be spending some quiet time with my wife at our homes in Kansas City and Colorado because our youngest would have just graduated high school, and both kids would be off and pursuing their own dreams, hopefully in college; and we would have the first quiet time together that we had had in many years.

Kelly Scanlon: Oh, that sounds wonderful, yeah. Kansas City is a global leader, as you referenced a little earlier, in human and animal health. So how has ProPharma helped to shape that growth and where do you see future opportunities in bio-science for Kansas City?

Jeff Hargroves: ProPharma Group has been fortunate to serve most all of the human and animal health companies and the medical device companies around our region, and we're very proud of that. And along the way when you're doing that, we have been very active in the industry organizations, different industry initiatives such as workforce building, enticing new companies to come to the region. At a

personal level, our leadership invests in different startups around the area. So I think we've been very active on both the company and at an individual levels in supporting the area and the growth.

Jeff Hargroves: So in Kansas City, in our region in general, I think we are at a very exciting point, and there's some great organizations in the city that are working to pull together the array of different assets that we have. And so to give an example of that. We have great academic institutions. MU, KU, K-State, Kansas City University, and those are our great research institutions. We have wonderful hospitals. We have all the drug companies and medical device companies that we've spoken of, but we also have some outstanding technology companies, Cerner, Garmin, all the folks that have grown up in their shadow.

Jeff Hargroves: And in our industry, we're at a point where we need to pull all of those together, and a pretty common example is that if I need to be on a couple of new unique drugs, maybe I have a heart condition. Boy, it just seems like we are at the point where I should have a wearable device, that perhaps made by someone like Garmin, that could be monitoring all of the key vital signs and sensing any adverse effects that I might be having from those medications. Or even just seeing how those medications are working, and then transmit that information back into my medical records, and feeding back into Cerner's system, and feeding back into the hospital and to the physician that I'm working with.

Jeff Hargroves: We have the best of all of those institutions right here in Kansas City and right in our region, in our backyard. And we have organizations like BioNexus that are working to create an environment where all of those organizations can work together to solve a lot of these world-class problems. And so I think we're at a wonderful point in Kansas City.

Kelly Scanlon: Yeah, it's going to be, it's going to be really fun to watch where it goes. Because as you said, it's already made its mark in so many ways, the companies here in Kansas City, in this industry, but where it can go is going to be even more fun to watch. I know that you've said that you invest in some other companies, but you just recently bought a very interesting company. Tell us about that.

Jeff Hargroves: So one of my earliest examples of an entrepreneur was my first regular paycheck job in high school, and I was a tour guide and a maintenance guy at a tourist cave down towards the Lake of the Ozarks. And just a couple of years ago, I had the opportunity to buy that tourist cave, and so my wife and I are now the owners and operators of a tourist cave. And so that's been a fun little business venture and we've been able to apply some of these learnings that we've talked about today to that little venture. So it's not quite the size or ever will be of ProPharma Group, but it certainly is a fun venture to have on the side.

Kelly Scanlon: Oh yeah. And it just makes it extra special that it's where you had your first paying job and now you own it.

Jeff Hargroves: Yes.

Kelly Scanlon: Yeah, how fun. Well, Jeff, thank you so much for taking the time to visit with us on this episode of Banking on Kansas City. Thanks for all that you do and we wish you much continued success.

Jeff Hargroves: Thank you, Kelly, and thanks to Country Club Bank for putting this on.

Joe Close: This is Joe Close, president of Country Club Bank. I've known Jeff Hargroves for many years. In ProPharma's early days, we helped Jeff and his team build the company. ProPharma didn't grow into the huge success it is overnight. ProPharma really succeeded due to Jeff's philosophy of taking care of his employees. In turn, those appreciated employees took care of his clients. Once those relationships are established and nourished, you find out you've created something special, a family; and as things naturally evolve, success follows when you put people at the forefront. That's what helped ProPharma reach the point to where Jeff was able to monetize his years of investment, not only financially but of his time and passion. He was a steward of his business.

Joe Close: Country Club Bank can help you too. We can help you build your business, source capital, strategize, and then help you sell when it's time to reap the rewards. Thanks for tuning into this episode. We're banking on you, Kansas City.