



Flexibility, Knowledge & Cash: Lessons Learned from the Great Recession

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Money thoughts

“I have never been in a situation where having money made it worse.” *Clinton Jones*

“When I was young I thought that money was the most important thing in life. Now that I am old, I know that it is.” *Oscar Wilde*

“I am opposed to millionaires, but it would be dangerous to offer me the position.”

Mark Twain



Be Flexible or Perish – The Sphecx Wasp



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My goals today ...

- Introduce you to the SMB – Self Made Billionaire
- Teach principles about business success that SMB's have learned from the Great Recession
- Make you reconsider how you think and work
- Encourage you to make some changes, now
- That at least one idea from today will be of value to you as you manage and lead
- How about you, what are you hoping for?

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Background on the SMB's I've worked with

- 12 total, average age is 70
- From 7 different countries on 5 continents
- Total net worth of \$48 billion (as of Forbes 2011)
- Average net worth is over \$4 billion
- All w/college degree, none w/graduate degree
- Variety of backgrounds, ideologies, upbringings
- 10 are married, 11 have children
- Variety of industries
- None were born billionaires (“on 3rd base”)
 - Most “fortunate” was born with \$100 million net worth



Lessons Learned from Great Recession



Pay Attention!

- Know your metrics
 - What three metrics are critical?
 - Beyond what range are we in danger?
- Know your history
 - Paul and the “no more machines” decision
- Know the value of your time
 - The \$70 million company vs. \$1 billion
 - “It takes the same amount of time and energy”
- Know your pie
 - Market share, competitors, their “a la mode”



Weak Link for a Week

- Focus on the weakest link on the team
 - And there is always a weakest link
 - Start with a team of 7 or 8
 - Identify the poorest performer
 - Work with him/her for a week
 - Decide “potential” or “no potential”
 - Either keep fishing or cut bait and start over

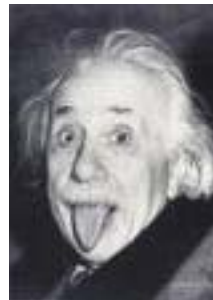


Round Peg, Round Hole, Square for a Square

- Know and stick to their strengths
 - Whether process or function - they know
 - “I don’t carry boxes, I’m a financial genius!”
- Measure and judge their people
 - They are closet sociologists and psychologists
 - Interested in human behavior
 - Believe in highest and best use of people
- Invest in making strong points stronger
 - The 10 hours a day test
 - Shore up weakness or increase strength?



Round Peg, Round hole, Square for a Square



Talent - What can I do consistently better than most other random people?

Strength - What can I do consistently better than thousands of other people?

Focus on strengths



SMB's seek out SME's

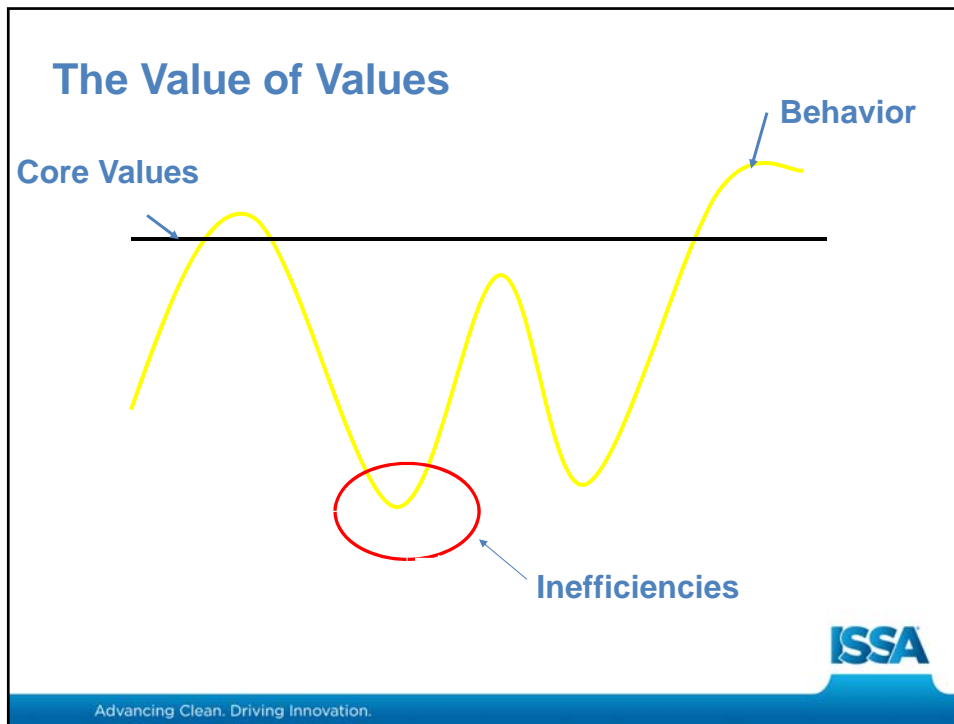
- SME = Subject Matter Expert
 - \$1,000,000 for a chalk mark
- Seek advice from those who have the most relevant knowledge about their problems
 - Advisors, outside board members
- Copy the best, learn from the rest
 - They believe life is too short to reinvent the wheel



Know and Preach the “Big 3”

- Know your answers to the “Big 3” questions
 1. What principles are important to us?
 2. What are our goals?
 3. How do we plan to achieve them?
- Teach them to your people
 - Great teaching=Great Learning=Great Advantage
- Focus on the “why” more than the “what’s in it for me”
- Principles create expectations about “good” behavior





Big goals inspire big actions

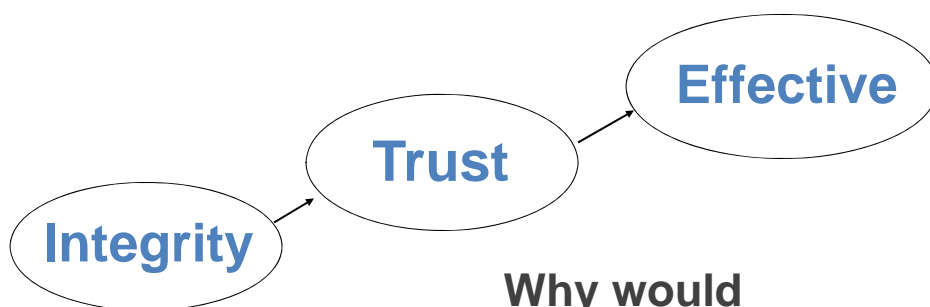
- My goal is to own the largest _____ company in the world
- Eight years later – Goal reached
- My goal is to own the largest _____ company in the world
- Big goals get people rowing in the same direction, minimize interpersonal strife and competition
 - The King James version of the Bible

Create a culture of trust

- An organization's culture is like a person's personality
- As a leader, you can create your own
- Culture clarifies behavioral expectations, helps people make decisions on their own and inspires excellence
- Warren Buffett
 - Integrity - Intelligence - Energy



Effective Leadership



Why would someone follow a leader they don't trust?



Recruit, train and keep the best people

- This may be the most important one of all
- If you want to grow, you must give up control
- Which means finding productive, talented, honest people and trusting them
- Clarify expectations
- Give them the tools and training
- Provide fair, consistent feedback
- Reward them properly
- Don't let the great ones get away



Warren Buffett speech

What do you look for when hiring?

1. Integrity
2. Intelligence
3. High degree of energy

Great leaders hire character over competence – building cultures of trust



Effective Hiring

Situation
Options
Decision
Why, Why, Why?



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Make a meritocracy

- Meritocracy - a system in which the talented are chosen and moved ahead based on their achievement
- A word we'll be hearing more of (I predict)
- China is not a democracy, but is a meritocracy
- Only meritocracy will protect the golden goose and increase the chances that she will continue to lay golden eggs for her owners



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Five to six brains are better than one

- A Google analogy
 - Started with 2 brains and a few servers
 - Today has hundreds of thousands of servers and tens of thousands of employees
- Are you using only one brain to make important decisions?
- Sociology studies point to 5 or 6 as optimal number of people for making an important decision that no one person has made before



Listening changes everything

- Yes, egos are large, leaders believe in self
- Yes, leaders are smart and talented
- But, when effective leaders know that there is something crucial to their organizations success that they don't know, they seek advice and listen
- Listening, really actively listening, is the single most valuable thing you and I can do as managers and leaders



Give much, give often and manage it

- Nothing energizes companies like working together for those in need
- Find your own pet project(s), involve key employees and influencers in the analysis
- People believe that the wealthy should use their wealth to make a positive impact in society
- Make it easy for employees to serve those in need, provide incentives, even rewards
- The Norm of Reciprocity and the Golden Rule will reap rewards for you for many years



Some thoughts in conclusion

- Creating wealth takes decades, access to capital, courage, risk, tolerance for stress, relevant leadership skills, high degree of self-understanding, patience and immersion
- Economic downturn creates opportunities to be captured by discipline, follow through & CASH – liquidity is king when asset values collapse.
- Remember, any of the companies that are owned and/or led by Forbes listers was once the size your company is now
- A consistent implementation of any one of the principles covered here today will provide benefit to you and your organization – GO FOR IT

