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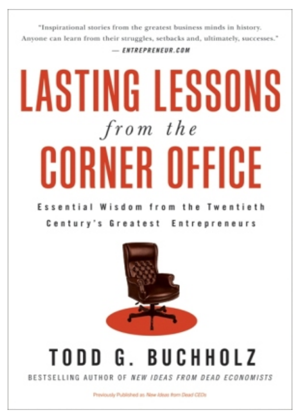
Lasting Lessons from the Corner Office

Essential Wisdom from the Twentieth Century's Greatest Entrepreneurs

By Todd G. Buchholz, Harper Collins, 2007

"Lasting Lessons from the Corner Office" uncovers the secrets behind the success of the great CEOs through their lives and personal stories. Why did Ray Kroc's plan for McDonald's thrive when all the other burger joints failed? How can we apply his lessons to Krispy Kreme? How did Walt Disney's most dismal day as a young cartoonist radically change his career direction?

We learn about their biggest challenges and failures, and how they successfully rode the waves of demographic and technological change. When Estée Lauder was a child in Queens, New York, the average American spent $8 a year on toiletries. How did she spot an opportunity in high-priced cosmetics? Why did she pound on the doors of Saks? How did Thomas Watson, Jr., decide to roll the dice and put all of IBM's chips on computing, when his father thought it could be a losing idea?



About Todd Buchholz

Todd G. Buchholz is a former White House director of economic policy, an award-winning teacher at Harvard University, and a managing director of the $15 billion Tiger hedge fund. He is a contributing editor at Worth magazine, and he has written for The New York Times, The Wall Street Journal, Forbes, and Reader's Digest.

Buchholz is the author of "New Ideas From Dead Economists", "From Here to Economy", "Market Shock", and "Bringing the Jobs Home", and he is a frequent in-demand speaker and CNBC guest host.

Click here for more on Todd Buchholz

Inside This Book Summary

Why You Need this Book

This book blends the lives and the business challenges of the featured CEOs in order to expose their strengths and the circumstances they had to overcome.

This book features CEOs who relied on more dependable, more human drives. Drives that took them on fascinating rides.

"Lasting Lessons from the Corner Office" not only fascinates with the personal lives of these CEOs, it shows how we can transfer their ideas today to the triumphs and struggles of Sony, Dell, Costco, Carnival Cruises, Time Warner, and numerous other companies trying to figure out how to stay on top, or climb back up.

The featured CEOs in this book were not candidates for sainthood. Many of them knew "God" only as a prefix to "damn it." But they were devoted to their businesses, not just to their egos, personal bank accounts, and yachts.

Extraordinarily fresh and deeply thoughtful, Todd G. Buchholz's "Lasting Lessons from the Corner Office" is a truly enjoyable and fun — yet serious and realistic — look at what we still have to learn and absorb from these former CEOs.

Thomas Watson Sr. and Jr.: IBM – A Tale of Two Watsons

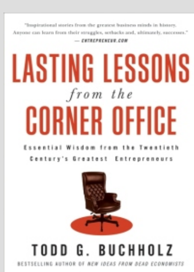
Let us start with a Freudian word - association test. Say "IBM." You'll think of "White shirts, dark suits, square jaws, straitlaced, and sober." Indeed, Thomas J. Watson Sr. and his son Thomas Jr. molded the most straitlaced, most competitive sales force in history.

The two Watsons built IBM into a powerhouse but nearly beat each other to a pulp in the process. Tom Jr. called their arguments "savage, primal, and unstoppable." He said, "It amazes me that two people could torture each other to the degree Dad and I did and not call it quits."

And yet when his dad died and Tom Jr. had to face the office alone, he said that he was the most frightened man in America.

To the outside world, IBM was the very face of efficiency, grace, and rectitude. But behind the slick, perfectly straight

About "Lasting Lessons from the Corner Office"



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horizontal lines of the big blue IBM logo were towering waves of passion, hatred, and warfare. Tom Sr. acted like an egomaniacal narcissist; his son, a dyslexic depressive.

The Watsons revolutionized more than data. They taught us how to build sales forces, how to hang on to wavering customers, and, most dramatically, how to "bet the company" on one big gamble.

The two Watsons could be visionaries, teetotalers, hustlers, and bruisers. All at once. All in one family.

Here are some lasting lessons from IBM that apply today :

•**Listen to the customer.** Tommy realized that IBM should not be a company devoted to cardboard, but a company devoted to information and data processing. If the forces of technology were burying cardboard, so be it.

He threw the throttle into overdrive and raced IBM to the front lines, hiring twenty thousand new employees and tripling the number of R&D employees to 9 percent of the workforce.

•**Hook them while they're young.** Since the 1980s, Apple Computer has done a wonderful job hooking young people, first with the Macintosh and more recently with the iPod. IBM has not.

However, years before Apple's success, Tommy led IBM into classrooms. His motive was twofold. First, IBM needed to hire more computer scientists. If he could encourage the study of computers, IBM would have a bigger list of recruits. Second, IBM would always need more customers for its computers. To this day, when you anxiously pick up a number 2 pencil, you can blame IBM for your jitters.

•**Make yourself obsolete.** It is better to make yourself obsolete than to wait for your competitors to do it for you. Tommy Watson eclipsed his father and wrote his way into this book because he knew when to take a gamble. And, of course, he won.

By the mid 1960s, IBM had grabbed an overwhelming market share for computers in the US and even enjoyed a 75 percent share in West Germany, Italy, and France.

Estee Lauder: Even the Rich Like Freebies

What kind of woman was Estee Lauder? She was tirelessly ambitious, determined, and elegant, and she could be exquisitely bitchy.

ESTĒE LAUDER

From the house of Ash Blondes, Estee Lauder began building a clientele of socialites. Later she moved into department stores.

But what made Estee Lauder different from all other entrepreneurs who tried to peddle their creations? Let's now take a look at the new and lasting ideas of Estee Lauder that businesses must still heed today:

- **Take aim at your target customer.** Those little mailing cards apparently worked well. She was both tireless and tired as she hopped from train to bus, always looking her most elegant. She would befriend every beauty editor at every local magazine and newspaper, hoping to gain a mention in the society column or the shopping circular.

- **Even the rich like freebies.** When Estee was pitching Saks in 1946, she unveiled an innovation that continues to remake retailing: the free gift. Today, any woman can walk into Nordstrom looking pale and plain, yet emerge with a makeover worthy of a Vogue photo shoot. Perhaps Estee had to give away free samples. It was the only kind of promotion her company could afford, considering its small revenue base. Unlike some of her imitators who reluctantly gave away inferior gifts and scuffed-up samples from last year's colors, Estee insisted that her customers receive only the best and the latest.

When Estee Lauder was a teen, she thought she knew what she wanted from life: her name in lights. She briefly tried acting. Instead she got her name on a bottle and on a thousand billboards in dozens of languages. There was not much that Estee Lauder did not achieve in her near century.

She was awfully smart, staggeringly determined, but also willing to think quickly on her feet. Once, as an older woman, she looked in the mirror and realized that she wasn't happy with what she saw, so she swapped her ruby-and-diamond tiara for a more suitable gold-and-diamond crown.

"You know how it is," she told a New York Times reporter. "You have to wear something." And now millions wear Estee Lauder.

Ray Kroc: McDonald's – King of the Road

Ray Kroc's life teaches us lessons, not just about perseverance, but about how companies should treat their partners, their suppliers, and the public. These lessons show up every day when you wait in line for a cup of coffee, curse the post office, or wonder whether to dump that stock that cannot seem to go up.

So what did Kroc bring to the table, or should we say, to the self-serve counter?

•**First of all, Kroc brought ambition.** The McDonald brothers were easily contented. They had big bank accounts, fancy Cadillacs, and the most prestigious home addresses in town.

Kroc had spent his career crisscrossing the country by plane, train, automobile, and sometimes horse in order to make a sale. Only he was inspired to turn McDonald's into a national name.

•**Second, Kroc had even more confidence in the McDonald system than the brothers themselves.** Before Kroc showed up, the brothers did allow a few entrepreneurs to license the name and copy the business model.

But, unlike Kroc, they did not insist that their franchisees follow their rules. Kroc knew that a national brand required uniformity.

•**Third, Kroc's experience taught him that he must continually cut costs and raise efficiency.** That meant hard bargaining with suppliers.

The McDonald brothers were not fat and happy, but they seemed too happy to wield a whip with their suppliers.

NEW IDEAS FROM RAY KROC

First, make your partners rich

Kroc felt that his competitors cared only about jamming profitable stuff down the throats of their partners, rather than long-term growth. This was not just a hunch. He noticed how casually and negligently the companies supervised their stores.

Reacting to these fiascoes, Kroc felt passionately that his job was to make his franchisees rich by cutting their costs and improving their products. He refused kickbacks from his suppliers.

Kroc's business model required an extra helping of patience. Many of his former business colleagues must have thought him foolish. Why would he trust his life to a bunch of novice franchisees, most of whom did not yet know the difference between a pickle and profit?

Kroc may have been confident, but he was not completely naïve. No lifelong salesman could be. Kroc was not simply giving away franchises to any stumblebum who showed up with a spatula. In return, however, you got a leader who would be watching you closely.

Next, raise the steaks

Back in the early 1980s, Wendy's had a huge advertising hit with a little old lady sneering at a puny burger and shouting at a fast-food server, "Where's the beef?" That tagline helped derail Gary Hart's attempt to win the Democratic presidential nomination. Ray Kroc's question was even more penetrating: He asked, "What's in the beef?"

White Castle tried to shave beef costs by cutting five holes in the center of their tiny patties. Today the US government merely requires that the fat content be limited to 30 percent. Kroc demanded a uniform and fairly healthful hamburger. Under his watch, McDonald's required hamburgers to be 83 percent lean chuck from grass-fed cattle and 17 percent choice from grain-fed cattle.

And then tame suppliers by making them rich

As McDonald's growth exploded, many of the suppliers became almost dependent on the Golden Arches. Economists call this a monopsony; that is, a situation when a single buyer dominates the market. Ray Kroc, who started off begging for cooking oil and buns, ultimately achieved enormous market leverage. Thankfully, it did not occur to him to use that leverage to smash the little people who trusted him in the early years.

THE KROC LEGACY

Ray Kroc died in San Diego in 1984, a very rich man. His buyout of the McDonald brothers, which strained him in 1961, paid dividends with every sign that reported how many million or billion burgers had been sold. However, despite his immense fame and fortune, he never forgot his frugal and efficient ways.

Walt Disney: Disney – The Imagination Machine

Walt Disney built one of the most durable firms in American economic history. The firm is so ingrained in our culture that in 1993 Disney actually found buyers for one-hundred-year bonds, known as

"Sleeping Beauties."

It seems that Walt learned not only to look back nostalgically, but also to get half the world to look at this era wearing his rose-colored glasses.

It seems that Walt learned early on how to nurture creativity despite a hard-hearted environment. This was perfect training for Hollywood. Walt Disney was destined to invent Fantasyland.

Disney launched Laugh-O-Gram with two principles in mind: First, he did not want to be anybody's employee. Second, Disney wanted to leapfrog current technology.

Half a century before Bill Gates and Steve Jobs tinkered in their garages, Walt Disney dragged a stop-action camera into his garage and started experimenting with more sophisticated drawings. The results were stunning. Because the figures looked like more than paper cut-outs, the characters could have some personality.

Walt Disney's movies were stunning innovations. But Disney did not fool himself into thinking he was a creative genius like Shakespeare or Picasso. Since every major film could potentially bankrupt his studio, he knew that he also had to focus on making money – or else he would be tossed out of the turbulent industry.

Disney's innovations did not stop at merchandising the characters on the screen. We must give him credit for teaching the business world the importance of speed too. While other companies might have produced toys based on popular characters, Disney pressed to get those toys and gadgets out sooner – before the characters burst onto the big screen.

Even where Disney had no commercial tie-in, firms often profited as "free riders." Economists call a firm a free rider if it benefits from another firm's activities but does not pay for their benefit. This can also be called a "positive externality."

Walt's ultimate success with Disneyland brings us to another lesson: The CEO should not be a snob (though Estee Lauder had no trouble going after the pocketbooks of snobs). The revival of Disney studio business and the stunning launch of Disneyland in the 1950s were powered by a new medium called television. If Walt had been snobbish about television, Disneyland would not have been an international smash, and his films would have limped along underfinanced.

Television did not just make Disney. Disney made television.

Walt Disney died a very wealthy man, but he did not plunder from his shareholders along the way. Remember, his reigning symbols were a mouse and a duck, not a pig and a wolf.

Walt lived long enough to see Julie Andrews mesmerize audiences as Mary Poppins.

It would be easy to wrap Walt Disney's image up in the American flag and say he was an American saint who only brought joy to children.

Was he Mother Teresa? Hell no! He did bring lots of joy to children, but creating joy in children often meant bringing some tears to his staff.

He worked hard and was quick to rip into the inferior work of another cartoonist. No doubt he was sometimes unfair and short-tempered. But he never cheated his chief clients – the children in the audience. Nor did he ever rip off his shareholders.

No, he was not Mother Teresa or even Mary Poppins. But the refracted light of America's great creative geniuses, Thomas Edison and Ben Franklin, certainly shone more than a few rays upon him.

Despite a hard and humbling youth and the harsh discipline of a father who could not keep a job, Walk Disney knew, like Edison and Franklin, that he was destined to become a symbol. During the 1920s, while struggling for an advertising agency, Disney was asked by Ubbe Iwwerks to join in a poker game. Walt declined. He said he was too busy toiling on some sketches!

Walt was actually practicing his signature, that simple yet stylish script that instantly tells adults and children that creative fun waits just around the corner, just after the commercial break.

Conclusion: No Roads Ahead

Be dared. Search this book for the solitary secret that will guarantee riches while protecting you from being flung against a wall by competitors.
You won't find it!

The simple truth about making it big is that it does not take a village, a Harvard MBA, or even a rich uncle. It takes passion, an obsession with turning a small idea into a sweeping revolution.

A person must bolt out of bed at three o'clock in the morning eager to plot his next move. It also takes some raw talent and a lucky break. Even an unlucky break might work.

"One machine can do the work of fifty ordinary men. No machine can do the work of one extraordinary man," Elbert Hubbard wrote. The CEOs in this book proved the point. But by choosing these

CEOs, they are not being nominated for sainthood, nor should they be called "Mozarts of Capitalism." At best, they are Salieries, just trying to bang out a hummable tune. That's not so bad.

The CEOs whose lives we have explored did have one thing in common. At some point they all tumbled into failure and heard trusted friends whisper, "Quit." These CEOs knew to ignore pessimists. The CEOs profiled here ignored the accountants who sneered at their ideas and also the social pundits who sneered at their "American Dreams."

For the millions who have sweated in factories that belched soot, descended into mines without much air, or toiled on farms that turned to dust bowls, life was risky, grievous, and short. Over the next one hundred years, these CEOs helped people become better informed, better paid, and, if you believe Estee Lauder and Mary Kay Ash, better looking, too.

What lies ahead in our young century?

As a futuristic movie once put it, "Roads? Where we're going, we don't need roads."

We just need people made of the right stuff.

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