

Can you see the
mailstream?

JACK WELCH
Leading Successful
Organizations



We have just been through a remarkable couple of weeks, now we are debating a \$700B gov't bailout. What does it mean?

It means we are in a hell of a time. Middle of last week I was in Europe, and there was true panic that markets were freezing, there's no liquidity. Thank God that we have Bernanke and Paulson, these guys are working around the clock and acting.

But it's the biggest gov't intrusion in the economy in decades, that's not something you would have liked?

I would have liked for it not to have happened -- mortgage lenders, rating agencies, those who took mortgages that can't afford them. That's what I like what Bernanke and Paulson have done, they haven't let ideology get in the way. Time to take action, not ponder.

Don't you have to look back and say how could it be that so many smart people did stupid things? How did we say you don't have to prove you have an income, and get into securities they didn't know what they were?

Money was free, interest rates were almost negative, and people took swings. Many to blame for these issues. One crowd that has to be looked at as the gov't bails them out are these investment bankers. When they were private, they were playing with the partners' money, so they had their own personal wealth at stake. When they went public they were playing with other people's money.

You are in private equity, is it different?

We don't go in and roll dice. To let people without accountability make \$5-10-20MM rolling the dice, is a crazy system. The only penalty is a cut in their bonus.

Q: How much does leadership or lack of leadership have to do with the financial crisis?

Money was so inexpensive, people did everything for yield, so all these products came in play. And leadership obviously didn't know what was happening. You have financial engineers, bright guys, developing this. They are shifting millions of dollars around, without the right risk management metrics, but the leaders are now paying big time.

Seems like there should be a basic rule in these securities, if you don't understand where it comes from don't buy it!

If earnings are too good to be true, don't buy it, if your bonus is tied to those earnings, you like it. The pyramid keeps happening.

Wasn't there a failure in leadership at the top?

Yes, failure of Congressional leadership for people buying homes. Right now, act, then figure out who is to blame, and fix it. This morning, Chuck Schumer made the connection between Wall St. and Main St. Hopefully they will get liquidity in the system. If they don't and it's unfair, people's 401K's and pension savings will go, so we have to act. Our best leadership in

the last 30 years came with divided leadership --when Reagan had to battle a Democratic Congress and when Clinton had to battle a Republican Congress .

You think we'll get a better bill back and forth.

I think once Congress steps in and bails them out, we have to get compensation tied to shareholder interest; and long term, can't be all cash and carry short term pay. There has to be an adjustment, it's a different day.

McCain said he thinks the way to deal with this is to get the smartest people like you to come to Washington and pay them \$1 a day.

I'd do it absolutely.

Where do you think we're heading? Will it change the nature of American capitalism? People are worried we'll end up with a European model?

They've been here before, in 1991. Answer is no. I've been the last holdout, and I thought we could skirt a recession. I now believe we are in for a deep downturn, and I think the first quarter of next year will be brutal. All of you running companies have to take the action now, don't ponder, get ready for real tough times. There is no credit out there right now. This is spilling over dramatically. Get your cost structure in place, be sure you are not over-leveraged, take care of your best people. Most people will miss their operating plans, and won't make it. If you have a tight budget, you might hammer your best people, so put a pot of money there for your best. They might not make their numbers, and you don't want to lose people in the second half. Don't dump your soldiers with bad morale. This is a view from a person that's the last one to cave on this economy. I am now caving.

How long will it last?

Will be slow to get out of, de-leveraging is huge. Got to be able to get people back in the game, get balance sheets back, free up markets. Examples of behavior changes occurring right now: food costs are up in restaurants, and seatings down. These are patterns. Those who run businesses will start to feel it. The benefit of this conference is to think of what we can do to take care of our people, and be ready for the next fight down the road.

How long it lasts depends on the leadership you get out of gov't?

Without question. Bernanke and Paulson, they didn't let ideology get in their way, when the first thing didn't work, they moved onto the next one. We are lucky these brilliant public servants are giving all they've got to make this work out.

Talk about the presidential campaign, you've written that being president of a country has a lot of the skills of running a company.

I'll tell you why I'm voting for John McCain. I believe in jobs and more people getting jobs. I don't believe that you tax small business. They are the creators of jobs. When you tax small business you cut the core of job creation in America. I do not want the President of the U.S. in

the pocket of Unions. It's not good for competitiveness. The Free Choice Act is for every one of you, it's when the secret ballot is taken away. Barack Obama is for it-- that a union can be formed by a card check, they walk in and tell you you are unionized. How many union jobs are being created in the economy? You want your employees to trust you and have an open relationship, if you end up with a union, it will kill that.

Do you worry about John McCain's age?

I think he's the right age – a high potential.

Sarah Palin? Do you worry about her experience?

If you were the senior person in a business and you were picking an associate out there, would you hire the 64 year old hack who's been in the same job for 30 years or a young professional with young ideas? She'll get it, she'll have enough bright people around. You need judgment and she's got judgment.

It's going to be a difficult time for the next president. With Iraq and frightening terror attacks, what will it take?

Another point with McCain, I think a divided government, this debate today between Congress and Paulson and Bernanke is good for our country.

Both candidates talked about coming together but now are in the opposite direction....

Having 2 opinions coming together with best ideas. This idea of one party rule doesn't work so well in America, look at Carter and 2 years of Clinton, and then the next 8 years of Bush, it doesn't work.

What we've been hearing about McCain's anti-business rhetoric, from both parties, are you concerned about it?

What they say now, come on. It's a vote here or there, but back to my fundamental policy, I don't think you can be a businessman, want to create jobs, and have the American dream and vote for somebody who wants to increase taxes in a tough time and wants to unionize America. How will they do it?

Is the American dream threatened?

Today, of course it is, but we'll fix it. We've been through the RTC, the Asian crisis, long term capital, Black Monday -- we'll fix it.

These cycles were generational events, everyone lost their senses for a while, there's a correction and everyone says we have to be careful and people forget and do it again, but now these cycles come so fast and furious....

Globalization is an acceleration, but the fixes also come faster. Think if you were trying to fix this without the internet and instant knowledge, responses are made much faster to crises, but crises can come faster. The whole game is faster.

What is the biggest change that's happened in business since you left GE?

Globalization has intensified, interconnectivity of business is greater, information age is faster – therefore people have to make decisions faster. Good news about this, I have always believed that tying economic interests together is the way to peace. China is buying our paper, they have to keep the cycle going.

You don't worry about China as a global strategic competitive threat to the U.S.

I see them as all that but also a huge opportunity, if you get a more unionized workforce, you won't have that. Have to have education that's better, not a teacher's union that blocks everything going forward. Have to compete in this globalized world.

How have things changed? 3 years ago they said you were out of date.

They said Jack was all about best people and passion. You want more equilibrium. You want to act and take charge. Right now you want the same old things you always had -- a leader who can articulate a vision to a scared organization. They are thinking about their families, jobs, future, pension – a leader must articulate a vision. Keep them informed all the time. Where you are, you cannot over-communicate now. Your people need to hear from you, hear what you are thinking. Tell them what you want to do, make your values clear. If you've got capital, you can do what Warren Buffett did this morning. Look at your competition, private equity companies now, and at adjacent players, bury them or buy them. Who can you go after, how can you use credit terms to keep good customers going. Create partnerships for long-term by using capital now to keep customers alive. This is the best time and also the worst time, the best deals come now. Go after opportunities with an offensive mindset .

What about the three people who were candidates for your job . . . talk about Chrysler ...and Bob Nardelli.

How would you like to be the #3 or #4 player when your customers can't get credit. He wanted to prove to the world that he is the best operating manager of the world. He thinks he can fix it. If it works, it will be one of the greatest turnarounds. He didn't expect this financial crisis. I don't know the answer.

Jim McNerney went to Boeing, is about to face a strike.

He has a strike, he's fine. Boeing's earnings are great, he's dealing with the Union, he put a big offer on the table, they thought they had him against the wall, and they have a strike. He's willing to take on the issue. Long term, he'll have a battle with Chinese who will be in the market 10 years from now. He doesn't want to leave an uncompetitive company for his successor.

Jeff Immelt, who succeeded you, is having a tough time getting share price up now, possibly dismantling big pieces you put together.

It's time to report the plant. If he did the same thing, why did we put him there. You want change and fresh ideas. The idea that he sold something I bought doesn't bother me. I sold a lot my predecessor bought.

Environment concerns, how big a threat is global warming?

My view, will not be politically correct. If you are involved in business and you have products that can meet this environmental wave that's here, don't sit home and try to decide if global warming is real or not real. Get on the train, there's a marketing opportunity to move product. There's been a shift because consumers are afraid they are not getting enough value if they buy a green product, today people are worried about eating and living. Right thing for a CEO, if you have a green story, tell it. There is a market out there that wants to deal with global warming at a value.

What does corporate social responsibility mean to you?

Winning, and to create good jobs. When you win, you have money you take it and give it back to community. If you don't win, you don't have anything. This idea of starting with social responsibility is back-assward! You have to be socially responsible when you win. This is the name of the game, it's the responsibility of good citizens. We had the resources because we were winning. There's a book on that ... (Winning) and all the proceeds of that book go to charity. If it didn't sell, they wouldn't have benefited from it. It goes back to that point of winning.

Questions & Answers:

Q: How do you feel about the auto industry (bailout of institutions)?

A: It's more complicated. There are alternatives, they are not linked to all kinds of other Main St. issues. You'd hurt the auto workers in those companies, but the vacuum could be filled by foreign competitors operating out of the U.S. It's a tough line to cross. If the gov't imposes demands on them on something that's a disconnect, you have to give them support for that. These café standards are a real issue, they desperately need the money to re-tool. You can argue why didn't they do it before this happened. Unlike the banking industry, the automotive one is more limited and not as clear to me.

Q: What kind of car do you drive?

A: Toyota, an old one, I'm not a car person.

Q: You were chairman and CEO for 20 years, this morning they said that one person should not hold both jobs.

A: I believe in giving them the job and if they don't do it, throw them out. I don't believe in the model of two jobs. I think it works fine with a lead director. This compromise gives the internal organization one head, but the Board is a mechanism to deal with that one head.

Q: You were CEO for 20 years, the average CEO today is lucky to be there for 4 years, are we being too tough on the people running companies?

A: It's all about performance. Measure it by stockholder value plus earnings performance. Sometimes you're out of favor in a segment in the market. The market is a fickle thing, but over time earnings performance is important.

Q: Hasn't been shareholder performance in GE

A: I think they're out of favor.

Q: Predictions, especially given events of last 2 weeks, when a single country might exceed our GDP and who might that be, should we welcome it or resist it?

A: We ought to be resisting with our intellectual and competitive capital. If you take a straight line, you'll get China by us, and in 2052 you'll have India. But who knows what disruptions occur. The have not's in these countries are still very large, and the have not's always want to have what the have's have. You always have the possibilities of unrest. I am not predicting anything. If you take a straight line, there will be China, India, and the U.S. vying for leadership. You can't have a limit on visas and send home the people we educate. This country was built because we kept the best and brightest, and now we are kicking them out.

Q: Importance of recruiting and keeping talent, how have you assessed talent for integrity and wisdom?

A: Very tough to test for integrity and wisdom, you have to feel it in your bones when you meet somebody. There's no gray area. In an investment bank, it is not a question of having smart people, I don't think they were dishonest, I think there were on a treadmill that didn't stop, the money was free and they were gambling. They were doing what they thought they could do. These investment banks do have the best and brightest.

Q: Somebody should have said this doesn't make sense?

A: I agree with you, their motivations were wrong. You look at the motivations in your company and how you measure and reward behavior. In their case that reward system is out of whack -- , keep getting high profits and get enormous bonuses. We have to get the motivations lined up right.

Q: Japan's been struggling for last 20 years and still 2nd largest economy in the world, haven't heard it mentioned, what's the outlook for Japan?

A: Great example of why they struggled for so long, they didn't have Bernanke and Paulson, they piddled with it. The Japanese are strong, powerful, smart, committed, the outlook there is very strong, but I don't think they have enough people to be one of the top three 50 years from now.

Q: If you had to do it all over again, what would you do differently?

A: Act faster on just about every decision, how many decisions in your life do you say I wish I took 6 more months. We are all guilty of extra pondering. But overall, imagine an Irish kid, father working for a railroad, sitting here, how would I want to do anything different?

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MUHAMMAD YUNUS
Global Development



I was not a businessman, I was a teacher of Economics. I went back to Bangladesh, and I was hoping that we would get independent, but things went wrong, and that created a lot of tension. As a human being I can go out to the village next door and help people. This was my ambition, I started doing little things, and one thing led to another. Particularly, the loan sharks were making people in the village miserable. So I made a list of people who borrowed money from loan sharks, there were 42 names on the list, and the total money they borrowed was 27 dollars, I couldn't believe that anyone could suffer so much for so little. It came to my mind that the problem is difficult, but the solution is difficult. If I give the \$27 to these people and tell them to give the money to the loan sharks, they would be free. The next question came to my mind, if you can make so many people so happy with such a small amount of money, why shouldn't you do more of it. Why don't I lend the money to these people in the village, it will make such an enormous happiness in these people. So I went to the bank manager, he said no way, the bank cannot lend money to poor people. I said why not? Finally I offered myself as a guarantor, you protect your rules. This was in 1976, the bank manager said you can say goodbye to this money, it won't come back. And it worked. People ask me now, you must have worked very hard to come up with the Grameen bank system. I went to find out how the banks do it, and then I did the opposite. Today it works all over the world, still has a high repayment. Conventional banks want to go to the rich, the more rich the more attractive they are. They go to the rich men, we did the opposite, and went to the poorest. Today 97% are women borrowers. She promises to herself that if anyone could trust her with such an enormous amount of money, she makes sure it's paid back. The Grameen bank is based on trust. Conventional banks bring their lawyers to tie you up so you cannot get away. We said no guarantee, no lawyers, and it works. Conventional banks are owned by the rich people, ours is owned by the borrowers, they elected the representative to sit on the Board of Directors. So the largest bank in the country is owned by the poorest women in the country.

First principle we defined: the people should not go to the bank, bank should go to the people. We have 27,000 staff, within a week we must meet face to face all 7 ½ million borrowers on the doorstep of their village. Profit goes back to the people, it's generated internally. We take deposits locally and we lend money to the poor people, and each branch has to be successful so we can give the dividend to our shareholders. The next generation is becoming educated, right now more than 30,000 students on education loans going to universities. It's a fascinating situation. You see the woman who has changed her life, has a nice house from a housing loan, she has a daughter with her, who is a medical doctor and practices in the nearby town. What a difference, a mother changed her life and her daughter became a doctor. The question that comes to your mind, the mother could have become a doctor too but she never got the opportunity. Ask who creates poverty? Poverty is not created by the poor people, there is nothing wrong with them, it's created by the system we created. Who says bank cannot lend money to the poor people? Today after 32 years, with all the disasters in Bangladesh, and the floods, the return doesn't stop. We never complain that our borrowers lost everything, we don't go to the government. We do it on our own.

In order to let people get out of poverty, we have to fix the system, composed of institutions, policies and concepts. If we fix them no one would be a poor person. We started lending money to the beggars. We said give people options, you are going there anyway, let them buy something from you. Today we have over 100,000 beggars in the program, more than 11,000 stopped begging completely, and became successful door to door salesmen, and remaining are part time beggars, they can tell which house is good for begging and which is good for selling – they know market segmentation. We don't train them. My colleague says how long until they get out of begging? We can't push them, begging is their core business, let them go through the process.

Concept of business – everyone tells us business means making money. This says humans are one dimensional. People are multi-dimensional beings. Why doesn't economic theory allow that? A human being is not a machine, it's a wonderful creation. That's where the theoreticians misinterpreted the whole world. We should introduce another type of business to do good, what I call Social Business. We have a joint venture with Dannon, a multi-national company. We pick up all the nutrients missing in the children and put it in the yogurt and make it very cheap, once you get out of profit making, you don't need fills, a fancy container, marketing, nothing. We sell it to the poor children, and the company recovers its cost. Dannon has promised they will never take a dividend out of this company, just investment money. The company is a cause-giving company. In a social business you ask how many children got out of malnutrition, that's what we tell our shareholders. We created a joint venture with a water company. Our water is contaminated, so we created a small tiny water treatment plant producing clean water for the villages and everyone can afford it. We can then multiply. Difference between a charity and a social business is with a charity you achieve a social goal, your dollar never comes back. If you can convert it to a social business, your dollar recycles and becomes very powerful. As a business person, you bring your creativity into it. People will like to invest because it's in their heart. When I open the door many people will take it, and if they do a fantastic thing will happen. Many companies will like to invest in a social business company. The stock market is no place for social business, so I suggest creating a social stock market, people can go and find out where companies are helping people. With profit making companies I invest money, and take this money and invest in social business.

We are focusing on healthcare now. Neither the government run health care nor the private sector reaches the poor people. We are asking for advice for creating a social business for healthcare. If we can design it the right way, it is available to anybody, once you design it in a small way you can bring it all over the world. We can talk about water, housing programs, and once we bring this into an economic life, we'll have newspapers who will carry this information to readers. Soon we'll have a Social Wall Street Journal, so we'll all know what's happening. We'll create a world free from poverty, unnecessary diseases and free from misery.

Questions & Answers:

Q: How does it work in Bangladesh and what lessons can we learn from your experience for this crisis here?

A: Sub-prime prices were created not because they lent money, it's because of the extreme greed that got into it, people were misled into getting involved and then they couldn't carry it out. I see it described as a casino, or a tsunami. This is more irresponsible capitalism. In our case, we are not looking to make money, the focus is helping people get out of poverty, nothing for my pocket.

Q: If you started to pay a dividend out would you attract more capital? For healthcare, and education?

A: It's already there, but if you want to make money the focus goes to the top. There are many diseases in the world where vaccines are developed but nobody produces it, there are 6 orphan diseases but no one produces it. People will pay more money for fancy drugs. No one provides vaccines to the poor. I am not looking for that money. I will start with foundation money to begin with, you are giving billions of dollars as charity. There is corporate social responsibility money, most of it's used for public relations.

Q: I write about companies that are now embracing idea of having a social mission as well as making a profit, how can we make a difference in the world?

A: Your first goal is to maximize profit, your stock market price has to be up there, then we can think about these things. The moment it drops it's not your focus. That's why you create the social responsibility fund, use that money, this will be used not for company's benefit, instead of giving it away as a charity purpose, create a water company that brings water or health insurance for people in this area. This business will continue and never disappear. Start with that. Then have stock market and let people decide if they want to invest where they are not looking for profit but to make a difference in the world. We did it in France, a U.S. company, Intel, has already done it. There is enormous possibility, it works by itself, it's self-sustaining, once you have done that, the sky's the limit and you can address millions of people.

Q: How far along are we in tackling problems in the world, you've made a difference with micro-finance, what about beyond that?

A: Micro credit doesn't solve all the problems, it solves financial ability. If you are poor, you are poor in health, if you can improve health of your children you have a better future, that's why we want to give them education. You need education, healthcare, opportunities. Information technology is a powerful tool we can bring in a way that they can handle. To a woman in Bangladesh, her device would be completely different. Maybe design a digital genie lamp, with a voice command, so she doesn't have to type it in, and it helps solve a problem. This is possible. During the 90's poverty was declining 1%, the first years in 2000 it's declining at 2%. Our prediction will be more than 2%, providing the world economy doesn't mess up.

Q: Emerging markets are being decoupled from the U.S., and they can survive without the U.S. economy.

A: If the U.S. economy slows down how many orders will go down, from China and also in Bangladesh where the garment industry is. There are pockets of economic growth with China, Brazil, India, they are growing because of the U.S., because they are demanding the IT service and other things they do. If U.S. market slows down, European market slows down, and it impacts the poor.

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MARCUS BUCKINGHAM
Leading From Strengths



I have come out with a new product, The Truth About You. “Build on your strengths and manage around your weaknesses.” Probably something you’ve long believed. On some level all of you have long believed that, but isn’t it nice to have proof. Data: companies ask me to come in and study their best teams, when you study teams in the same company doing the same work, you find range in performance where you wouldn’t expect it. You find that a great company is a financial fiction derived from one’s stock price, but inside you find a huge range. World’s best retailer, if you pit local potential against profit, the more potential a store has, the more money it should make. Question is why is the talent bleeding the company, if you are in business, one of your key questions should be why do teams doing the same work massively outperform other teams? What’s going on? I don’t read anything about this. Another example: a big factory, all go through the same front gates, they promise you will be as healthy when you go home as when you walk in. Top 10% compared to bottom 10% on number of accidents, the top 10% had 0, and bottom 10% had 25.56% per year. Some teams will keep their promise and the others won’t. If you want to build a great company, all it is is a deliberate accumulation of lots and lots of great teams. We’ve got to know the difference in the company, what creates it?

So we asked the teams the same questions, and we would throw out any employee survey where there is no difference, and will keep the ones that sort performance, and it ends up that one question comes up. “At work do you have the opportunity to do what you do best every day?” When you can answer that, everything works better, your sense of mission and purpose is more powerful. I’m not saying it’s easy to build teams like that, and some are delusional about what they do best. It doesn’t matter, if people say they have a chance to do what they do best, even if they are delusional, those teams are more profitable, more performing, steal less, have less accidents and less likely to sue you. If you can say even dilutedly, “I have a chance to do best.” Sometimes you don’t get along with your manager, and you say to them, you deplete me, I walk out tiny every day, you shrink me. I wish you wouldn’t but you do. Sometimes you just don’t gel. It’s really hard to build a team where people are not trying. I know that because working for a company like Gallup, you wouldn’t have to sit around arguing, you can just go ask everybody.

We asked, “which do you think will help you be most successful? Leveraging your strengths or fixing weaknesses? 41% building on strengths, 59% fixing weaknesses survey results from US (2002). In Britain, the strengths was 38%, Canada, 38%, France 35%, all the way to China at 24%. It appeared that we lived in a remedial world, a world fascinated by weaknesses and tended to take strengths for granted. You want to study excellence, study failure and then flip it. Some of you are aware of these changes. Excellence has its own patent. You can’t infer healthy people by studying sick people. Good isn’t just the opposite of bad, it’s just different. Example: study unhappy marriages, although every unhappy marriage is unhappy in its own way, they all have one thing in common, people argue a lot. The happy marriages, the people argue just as much, it’s not the number of fights you have, it’s what goes in the space between the fights. Whatever that is, you learn nothing about it by studying a rotten marriage.

By far the most popular class in Harvard is called Introduction to Positive Psychology. The whole approach to family theory in New Zealand is strength space. How well are we doing with it in the work place, it’s the single most important performance driver in the workplace. Here’s where we are today: 45% building on strengths, and 55% fixing weaknesses. I thought there would be some difference between genders, now it’s disappeared. And in terms of generations, even over 60 people are still trying to fix their weaknesses. I thought GenY would be all strengthy, strengthy, they are the most stroked, but when we asked them (18-25) they were the most remedial of all, 31% strengths, and 69% were fixing weaknesses. They do believe they can be anything they want to be, they have been rewarded for participation and not performance. We’ve got a whole new generation who doesn’t understand what it takes to be productive, they are the most confused.

In 2000, the U.S. was the most strengths nation. Today, Australia, 46% strengths, and 54% weaknesses, UK 51% vs. 49%, India, 51% vs. 49%. China: 70% vs. 30%. And the GenY are more than this. They’ve shifted to how can I differentiate myself, some element and aspect of me that is slightly more refined or energetic than someone else. We’ve been asking this every 6 months for the last 3 years, this is reliable data. China is a different place than the U.S. America is characterized by fear and China by strengths. There is less celebration here. Now today, we have a different world than the world in China.

It’s not just asking what people believe, but what they do. What % of people spend most of the day playing to their strengths? Do we use the best of you. We know that’s the single most important driver of performance. This says most of the time. But people will say I don’t live in a strength world, but there will always be a part I don’t like. That leaves you vast time at work where you could fill it with some aspect of what you consider strengths to be.

What % of people spend most of the day playing to their strengths in U.S.

17% 2005, 14% 2006, 12% 2007, 13% jan 08, 14% sept 08. It’s lower in Britain and Canada, higher in India, lower in China, their thinking is more coherent. Here in the U.S. we talk about how we are using our human capital. There’s range, some companies are at 13-14%.

Across the U.S. this isn’t happening, how do we move that number? I don’t think we can speak to performance. Some of us are getting together tomorrow to get more into detail. Some say to change the people systems, the way we select, measure, promote, pay. I would start here with yourself. The airlines always say put your own oxygen mask on first.

The question is are you one of the 14%? If you aren't how did you get to be? The world doesn't care about your strengths but performance. Organizations are set up to drive performance, whether it's for profit or not for profit. It's not about learning about you. How do you put strengths to work deliberately? I would suggest that as adults, even though we act our way into a new way of thinking, we have to get our thinking straight on this. Start with 3 beliefs, the myths.

Myth #1: as you grow, your personality changes. 60% of us believe this to be true. Truth: as you grow you become more of who already are. Just go to a high school reunion. But you don't need to take a strength test, just have a child. You can see the personality trait of a child. They won't outgrow it and replace it, the challenge is to find a way to channel it. They can learn new skills and experience, so the way it shows up to the rest of us will change, but the core dominant parts will stay the same.

Myth #2: You will grow the most in your areas of greatest Weakness. Truth: You will grow most in your areas of greatest strength. We characterize our kids by the most F's. You go to your first performance appraisal and you'll get 2 minutes on what you did great and 58 minutes of areas of opportunity. We think you'll grow most there. You don't work on strengths, but yes you do when you want to win. Deal with weaknesses but don't glorify the word opportunity, these are areas of least opportunity. Example: Tiger Woods, his coaches said you are 63rd in sand saves but you are #1 in driving accuracy, we need to rebuild the swing and make it shorter and more reliable and more predictable so that under pressure it will hold up, your greatest area of opportunity is with your strengths. He was #1 in scoring average, greens regulation and 117 in sand saves, he got worse but it didn't matter, he didn't have to be excellent getting out of a bunker, because he was never in one.

Myth #3: A good team member does whatever it takes to help the team (60% believe this is true). Truth: A good team member deliberately volunteers his strengths to the team most of the time. Example: Warren Buffet donated to the Bill Gates foundation, and said it's because they do it better, and he said Philanthropy is no fun for me. Who says that? It takes self-assurance to stand up to the world and say that. He didn't say it was stupid work, he said he respected the goals of charity that they can't be trusted to a guy like me. We have to stand up and say who we are.

Here's a line on risk:

"And the day came when the risk it took to remain tight in the bud became greater than the risk it took to blossom." Anais Nin.
Benjamin Franklin called risk *"sundials in the shade."*

Hope I've helped you to shine a light to get your strengths to help the world.

Can you see the
mailstream?

DAVID RUBENSTEIN
Value Creation



I am from Washington DC. I am probably the only person who's started a business from scratch that became a global business. I started Carlyle, a private equity firm I started in 1987, now largest in the world, we manage about \$90B, and we've invested \$50B over 10 years with an average rate of return of 30%. We manage 60 funds around the world, and the firm has taken a leadership role in private equity, that is privately held. It was not a company I was destined to build.

Something lucky happened to me, I came up with the idea of buying a buy-out firm in Wash DC, and I recruited 3 people in finance, and we raised the money. We focused on keeping investors very happy, and worried more about their money than ours. We took an extremely conservative approach, our theory was never lose money. When you have money, don't lose what you have. Never mind heroic returns. People thought they were so smart and thought they could understand anything in 2 weeks. Our idea was to invest in companies that were heavily affected by the government, and we convinced people that we understood what was going on in Washington because we were there. Maybe we did and maybe we didn't. We also spent a lot of time on a one-Carlyle atmosphere, if you weren't building the firm as a firm, you were out. We also came up with brand extension of 2 ideas. Historically private equity was buy outs, venture capital and real estate. We took the track record we had in buy outs in the U.S. and got money for them in Europe, and built a family of funds. We revolutionized the business by globalizing, we recognized this years ago. We now invest more money outside the U.S. and have more people outside it than inside. Everyone is a local of the country we are investing in.

We built a family of funds using the brand extension model. And also operated under the radar screen, and didn't try to get a lot of publicity. We were able to build the firm before people said these guys don't know what they are doing. Also, we have avoided internal splits, the leaders get along well, so then the people get along well. We also believe in investing our own money. We stuck to our knitting, understood what we knew, and avoided what we didn't know. We recruited people from the gov't., like Frank Carlucci, Jim Baker, others, and after a while we were seen as a government in exile, and I didn't recognize that this was hurting us, but later I had to ask them to retire. I was not focusing on the image. Occasionally, we did stray from what we knew and didn't retain expertise in what we knew.

My personal lessons: if you don't love what you are doing do something else. I didn't love practicing law, I hated it, and I wasn't very good at it. I love what I do now, every morning I want to go to work. If you don't love what you are doing, find something else. Second, ignore conventional wisdom, it is almost always wrong. Do not take no for an answer. I got turned down by an investor 9 times, and eventually he felt sorry for me and gave me some money. Another lesson: share the wealth and the credit. Reagan once said: there's no limit to what you can accomplish in life if you are willing to give credit for it." We split the wealth throughout the firm, everyone shares in the profits and the credit. We say we did this, not I did this.

We also try hard to make ourselves indispensable. People have to come through you to get something done. People being recruited ask what are my responsibilities. If I give you one sentence and you learn how to build on that and make yourself indispensable, people will come to you, then you can build on that.

- Focus on the service or product that you are selling. If you focus on how much money you are making, you won't be successful. The money will come along. Believe in it passionately, not how much money you are making, if you focus on how much you will spend you won't be successful.
- Think global, go outside the U.S.
- Get out of the office, there is no money to be made inside the office, no deals to be made, no money, get out and see people, the inspiration and stimulation outside the office is staggering. I get most ideas from people outside out in the world. Everybody is a salesman, when you are in business you are selling all the time. Don't regard the salesman as the only salesman. If you are not a good salesman, you should get another job.
- Seize opportunities whenever they come along. You'll never be able to plan in advanced the opportunities to come. Not one sentence of my business plan is true. ????
- Despite how wonderful we are, the truth is it's important to not show arrogance. When I see people bragging and are arrogant, I turn away from it. Without humility you won't go very far.

A couple of opportunities I now see, and why:

The U.S. is going through 4 painful transitions now, which will create the greatest single opportunity in our lifetime.

#1 Transition of a president in power for 8 years, we don't know who it will be, there's uncertainty, we don't know who the next president will be.

#2: we are going into a recession and it will spread around the world, we're going from a strong economic period to a weak one.

#3: deleveraging through our economy, we have tremendous debt, we borrowed money for things we wanted, for home loans, auto loans, and as this occurs it will be painful for people who can't borrow money any more.

#4: the most serious transition will be long standing and effect your children and grandchildren, we are going from the dominant economy to one that won't be dominant in 25 years, we've been the dominant one in the world, we will be one of several significant ones, but our lifestyle will change, the dollar will not be valued the same as in the past. We have to be creative and come up with new ways to do well. Example: alternative energy area is an area for growth.

These transitions create an opportunity: Congress will pass legislation that will be the most massive wealth transfer in American history, enormous new businesses will be created as a result of this. When the federal gov't. does anything, it creates opportunity, and new industries come along. Now they will spend more money and try to create more wealth. Assets will have different value, think about how it will affect your business. More opportunities to buy things or change your wealth will come about. Not since 1933 when they passed the Social Security Act has anything so affected our economy.

Despite the value of a business, why it's good, and what I've done, it's very important to give back to your community. You can't take your wealth with you. I bought the Magna Carta, and I gave it to the National Archives to put on display so everybody can see it, and I got more pleasure out of that than making the money it took to do that. Don't forget to give back to your community. Nobody has ever said I wish I had made more money, everyone says I wish I had given more back to the community.