

Dear Amber,

My good friend your father tells me that you are thinking about a career in business, or at least taking business classes. He asked that I send along advice based on what I have observed and learned in a lifetime of studying business. I have been obsessed with learning what separates successful enterprises from unsuccessful ones since I was 12 years old, 46 years ago. As you can tell from the length of this letter, I am more accustomed to writing essays than letters. I hope my thoughts will at least trigger independent, innovative, and unconventional thinking on your part.

My starting point would be to tear down the idea that business is a profession, an idea that has become all the vogue in our society over the last 40 years. Even if you don't succeed in eliminating this kind of thinking, I think you will profit by challenging and rethinking the "accepted wisdom."

What the heck do I mean?

Our society, led by the media, has gotten into the habit of creating false walls using nonsense terms. We think we know what we are talking about but we really don't. Does using "WMD" as a code word for nuclear and biological weapons mean that massive old-fashioned bombs like those used throughout World War II are not capable of "mass destruction?" I think not – ask the people of Dresden, Berlin, Tokyo, or London. Does the phrase "pro-life" mean that anyone who opposes abortion prohibition at the federal level is "anti-life?" I think not. We get careless in our language and it is costly to clear thinking and achieving true wisdom.

In the world of work and education, we have created this idea that there are business people, and that they are a separate breed from lawyers, doctors, architects, and the other "professions." But as I have studied both great enterprises and people who have lived successful and fulfilling lives, I see not "business people" but I see journalists and movie makers, merchants and funeral directors, bankers and restaurateurs. Each of these is a true profession, unique in its own way.

Walt Disney could no more have run a bank than Madonna could have been an NBA all-star. Michael Dell could not have built Walmart, and Sam Walton would have been an unlikely candidate to build a computer company. Each of these great leaders spent their lives focused on doing something they loved and becoming an expert at it. Malcolm Gladwell's current bestseller *Outliers* claims you need about 10,000 hours of practice in order to get good at anything, and most of the biographies I have studied confirm that.

When I make this point, I am also refuting the idea that one can learn to manage anything, that if you can run one business you can run any business. While I have met a few people like that, I have not met (or studied) many, and few of the true great leaders and builders would qualify.

For many years General Electric was a company with "pure managers" who thought they "could run anything." But the people who came out of that system have had their share of failures when they went into different companies and industries – including the most recent CEO of Chrysler, Bob Nardelli, who was previously fired as CEO of Home Depot. Today GE's CEO

Jeff Immelt says he does not believe in this concept of generalists, he instead wants people who deeply know their industry. Which usually means they also love that industry.

In 1955 a company called Remington Rand, a diversified maker of office equipment, had shipped 30 of their innovative UNIVAC mainframe computers – a product they and their predecessor companies had invented. Competitor IBM had only shipped 24. The race was Remington Rand's to lose. But as the world's businesses bought computers, IBM put "all their chips in" the computer business, while Remington Rand was distracted, making thousands of other products, many of them unrelated. Less than 10 years later, IBM was selling about ten times as many computers as Remington Rand.

In the 1980s the great Sam Walton copied the idea of his friend Sol Price when he opened Sam's Club, mimicking Price's warehouse club stores. Today Walmart, arguably the world's greatest retailer, does about 40% lower revenues per store compared to Price's company, which evolved into Costco. Costco has their entire heart in this specialized type of retailing, whereas Sam's is a sideshow alongside Walmart's primary business – the one they know best – of operating discount stores and their evolved form, supercenters.

Toys R Us tried to move into kids clothing with Kids R Us but it never worked like they had hoped. It took years for hotel industry leader Hilton to understand and accept the motel concept pioneered by Holiday Inns in the early 1950s. Former #1 restaurant chain Howard Johnson's never recovered from the upstart invention called McDonald's.

So even people who really know an industry, be it office equipment or lodging, often only really understand – and love – their own particular part of that industry.

I urge you to seek your own calling, whether it be in services, trade, transportation, entertainment, manufacturing, or another type of industry. If you do not yet know what that might be, talk to lots of people about their jobs and lives, read a lot, observe businesses in operation. Nothing beats – or can replace – trial and error: try different types of internships or summer jobs.

Think long and hard about why you are doing what you are doing, why you want to do it. And please don't answer, "To make money." Very few people are really interested in, or ultimately satisfied by, money. They may tell themselves that, but if they really think deeply, most folks find they are more interested in something else: freedom, adventure, feeling part of something bigger than themselves, proving they can build something, being creative, working on a team, making a difference.

Money may be part of the story, or a route to an end, but it is not the end itself for most self-aware people. Self-knowledge is a lifelong process. When I see Mick Jagger still working hard at his age, Tina Turner going on world tour, or Bill Gates still at his desk, taking on new challenges, I realize they are not just in it for the money – they have plenty of that. They love what they do for other reasons. One of my heroes, the great retailer Stanley Marcus, was still putting in full days into his nineties!

Be cautious about what's hot. Today half the young audiences I speak to want to start social media and networking companies. But if everyone is seeking opportunities in those obvious areas, then huge opportunities and needs will be missed in other areas. We need

social media websites, but we also need better trash recycling, improved banks, better motels and nursing homes and beauty salons...

What I am saying does not mean you have to spend your whole life doing the same thing, although you might. More and more people lead diverse lives over time. I hate being pigeonholed; the four companies I started have been in different industries. But I focused all my energies on one vision at a time, I accumulated skills in each field so that each successive effort built on my past experiences, I became as much of an expert in each industry as possible, and I deeply loved each venture at the time I was doing it. Successful people tend to be incredibly focused.

I believe that architects, doctors, lawyers, and university deans are just as much “business people” as someone running a store, hotel, or computer company. Basic skills like knowing how to set prices; what hours to work; how to treat your customers; how to attract new customers; and how to hire, fire, organize, and motivate people are just as critical for these professions as they are for the restaurateur, the movie maker, or the accountant. And these professions are just as different from each other. To lump them all into “business people” does a disservice to everyone involved, and to the clarity of our understanding. In the best sense, we are all “craftsmen” (or craftswomen).

For example, one of the costly things to our society is that art majors do not learn the basics of “business” because they are thought to be in “a different world,” one where business skills are irrelevant. But sooner or later most of those art majors will own galleries, become artists trying to price their works, or serve on the boards of art museums with declining attendance or budget crises. They likely will not be familiar with even the most basic tools required to cope. It is the world of art that suffers when that happens. The same idea applies to the performing arts, health care, education, law, and virtually every other part of society – even government agencies.

We say – or politicians like to say – that they spend their life in “public service.” Does not the person who builds an airline like Southwest serve the public? Does not the Ochs-Sulzberger family who built the *New York Times* serve the public? Does not Whole Foods Market serve the public?

When I study politicians, I find that many of them are really in it for themselves, alongside those who are truly dedicated to serving the public – but no more so than the folks running Costco. In fact, perhaps the skill used most by politicians and office-holders is not one taught in political science class or law school, but one taught in business schools – marketing.

If you study what is traditionally taught to students of business – accounting, marketing, management, and the like – *please* understand that these are only tools. They are not the guts of business, the things that matter most.

Accounting, marketing, industrial management, finance, spreadsheets, and all that are the tools of the trade. They are like tape measures and hammers to the architect or contractor. You need to learn how to use these tools, and use them well. But there is more to “business” than using tools, just as there is more to architecture and construction. *Why we do things, our purpose, is at least as important as how we do things*, although you might not find that in a textbook.

The most important skills, if you want to lead organizations, are the ability to speak and write. Communication is at the heart of everything. There is just as much to be learned from Charles Dickens as from Jack Welch. So many so-called leaders go around spouting jargon, acronyms, and double-speak, when what works (and leads) is simple, clear, straight talk.

Always know that enterprise – for profit or not – is above all else a *human* activity. *How we deal with each other, with our customers, community, suppliers, and work colleagues, is at the heart of every enterprise.*

Just as putting a man on the moon required the practical application of physics and math, getting a UPS truck to your door or creating the next Face Book requires the practical application of the *social* sciences – psychology, sociology, economics, even anthropology. At the heart of it, learning about these fields is perhaps even more important than learning accounting and marketing.

Remember that you will be required to learn accounting and marketing (in the classroom or on the job) if you go into business, whereas the world of work may not force you to study the social sciences and read those kinds of textbooks. Some of these fields, particularly marketing, are so ever-changing and dynamic that you will learn much of it on the job no matter how much "book learning" you have. That is why I usually urge people to get a liberal arts education. You ask, "Does that mean *not* to major in business?" My answer is that you should never confuse education with the classroom, another mistake our society makes all the time. Your major matters less than your underlying course of study, your self-education.

Most of the really well-educated people I know got less than 10% of their education in the classroom. Of course there is a time and a place and a need for the classroom, and society's progress has always depended on great teachers and great scholars. I would not trade my college education for anything – and have "put my money where my mouth is" by donating more money to my college than I kept for myself.

But real education, which is in your own hands, and no one else's, also comes from these five sources:

- 1) Observation. If you want to know the average age, income, family size, and ethnicity of a neighborhood, study the shelves of any well-run supermarket serving those people. If you want to understand what people need in health care, spend time in a doctor's office. If you want to know what people like in fashion, hit the streets with your note pad in hand. Carry a pad and paper – or whatever system you are most comfortable with – to take notes. Otherwise, all the great ideas you have and cool things you see will slip right through your fingers and your mind, no matter how good your memory might be. Just the process of writing something down will engrave it more deeply in your memory.
- 2) Travel. Every day it becomes more and more important to understand the world around us, both the neighborhood across the tracks in our own community and the booming nations on the other side of the globe. The only way to really understand what is going on is to go witness it yourself. Make notes.
- 3) Study. Attend lectures, research online, watch documentary videos, and read, read, read. Don't just let it flow past you – become engaged with knowledge, talk about it

with your friends, argue with authors and documentaries. Don't forget that much of what you need to know comes from the past, and is not online, so you need bookstores and libraries as much as you need Google and Wikipedia. Use it all.

- 4) Conversation. Talk to everyone and anyone about ideas, discoveries, and sources of information. Tackle strangers on planes with a million questions about what they do for a living and whether they like it and what they have learned. My rule is that I can learn *something* from everyone on the planet, not just experts or "successful" people; it is my job to figure out what I can learn from them when I meet them. (You can't tell successful people from the outside anyway; only each of us in our hearts knows whether we are successful on our own terms or not, in the ways that matter to us.)
- 5) Cogitation. Actually taking the time from today's rushed world to think about what we learn, to meditate on it, to shut off the cell phone and go walk in the woods alone – or whatever works for you – is perhaps the step most people miss these days. And those walks result in the best notes of all.

Coupling formalized, structured schooling with these five learning methods is the key to lifelong learning, which I believe is critical to living a successful life. Every evening, ask yourself, "What have I learned today?"

And yes, *do* study business. Study accounting and marketing and management and everything you can get your hands on. Read the works of the great business thinker Peter Drucker. Read the works of Jim Collins. But most important of all, read real stories of real businesses – stories told in each issue in *Fortune*, *Forbes*, *INC*, *Business Week*, and other publications. Go to the library and read the back issues, because the characters may change but the plots remain the same. Study success *and* failure. Study industries you are not interested in, because breakthrough ideas usually come from outside your industry.

Read the great books of business history: Alfred Chandler's *The Visible Hand* and Harold Evans' *They Made America*. Read biographies of businesses and their founders – some of the best are about Walmart (*Sam Walton: Made in America*), Starbucks (*Pour Your Heart into It*), Richard Branson (many books), and Hilton Hotels (*Be My Guest*). Read *My Years with General Motors* by Alfred P. Sloan – which Bill Gates (and I) think is the best business book ever written. My blog at www.hooversworld.com contains many more book recommendations, and grows every day.

The great enterprises (and their leaders) that I have studied understand that it is not about quarterly profits, it's not about putting the stockholders first, it's not about creating jobs, and it's not about looking good to Wall Street. The great, lasting enterprises understand that success – even survival – is first and foremost about serving others, about providing goods and services that somehow make the world a better place. While failed enterprises grab all the headlines these days, the real wealth and strength of America and our economy lie in companies we don't read about in the papers every day (or see in Google news).

There's a multibillion-dollar company called Paccar based in Seattle; they make Peterbilt and Kenworth trucks. They are the world's finest trucks, made in the USA by American factory workers. The company is highly profitable and its stock has been a big winner over the years.

It's a great place to work; people stay there a *long* time. They have proven over and over again that they know how to deal with a big slump like the one we are in now. They get no headlines.

John Deere and Procter & Gamble were both founded in 1837. Today they lead their respective industries worldwide. They don't take up the management fad – or manager – of the week. They try to put in CEO's who last at least 10 years each. They make money. They are proud of what they do. They know that their existence depends on making better products every year, making them more efficiently. They have successfully competed with all comers, from Europe and Japan. They get few headlines.

United Parcel Service, Caterpillar, Johnson & Johnson, Target Corporation, and other companies fit this same pattern. They serve people. They focus on the industry they have a passion for, what they do best. They create jobs and are good investments, but only because they serve others. They are good citizens of their communities. They contribute to the welfare of people worldwide every bit as much as do the Red Cross or the Salvation Army or your favorite University. We need all these types of enterprises.

I believe that the best and likely only way to have a fulfilling life in any type of enterprise is to follow this same model yourself. The people who do the most for other people are not the ones who are all about “me, me, me” – how many cars and houses you own – but they are also not the ones who are all about “you, you, you – I am selfless and will do whatever you need.” Real winners are people who figure ways to do what they love, do things they have skills and passions for, while *also* serving the needs of other people. They are about “us, us, us.”

This is an odd mixture. Since I have started four businesses myself, two of which became very successful, people often ask me “Is it a matter of designing the business for yourself or listening to customers and building it for them?” The answer is not “either or,” it's “both and.”

Think of the yin and yang of eastern philosophy – life forces that are not so much opposed to each other as *dependent upon each other*, interlinked. Both are required. This took me years to understand.

In many ways building a successful enterprise – or successful life – is an introverted, introspective, self-confident, self-respecting process. What is your vision for the world? How would you like to see it turn out? What is wrong with the way things work for you? What problems do you have an idea how to fix? What do you love doing? What cause are you willing to commit your life to, at least for a few years?

At the same time, building success is also a matter of observing, studying, and learning about people and their real needs and desires. *Find that sweet spot where your own passions and ideas intersect with the real needs of real people.*

In 1999-2000, there was a huge dotcom bust, which hit my city of Austin very hard. But as I looked over the wreckage – all the failed companies – most of them were “cool ideas” that no one really needed or wanted. At the same time, some were pretty good ideas but they were being run by people who did not love the business – they had just spotted an opportunity, some industry they could jump into, make a lot of money and get out – or so they thought. Without both the real need *and* the real love, these stories rarely had happy endings.

Beware of the fashionable thought that only nonprofits can serve the public. I have found that many nonprofits actually serve their donors, their architects, or their employees more than they serve the public. Not all, but quite a few. Why else would so many great museums be closed evenings when the real “customers” have available time? Why else would so many nonprofits have beautiful new buildings but not enough funds left for staff, marketing, or longer operating hours? It’s rarely pointed out that a *big* difference between a for-profit and a not-for-profit is that the latter do not pay most taxes, even when they accumulate surpluses. I think profit-making businesses should take pride in paying their share (or more) of the cost of governing the nation, their fair share of building roads and bridges.

Know that building and leading enterprises is part art and part science. Part passionate words and part hard-headed numbers. Part Microsoft Word and part Microsoft Excel. I came to realize this when I started reading hundreds of business plans. Those written by people my age with no business training were often page after page of fluffy words, with no thought-through financial projections. Those written by the brightest MBA students were often page after page of beautifully constructed spreadsheets, with no heart, no passion. It takes both to succeed.

As you study “business” and life, always work harder than anyone else to *know your context*. For everything you learn, ask “Who, what, when, where, how, and why?” Even a little effort in this regard goes a long way, because others will usually be so bad at it.

Most business people – and all those other professionals – do not know the population of the metropolitan area in which they live. Most do not know the growth rates of the neighboring counties, why one is growing and the next is shrinking. Many do not know the name of the founder of the outfit where they work, or why that person started it. Most do not really understand their competition.

History and geography get short shrift. But you *cannot know where you are going if you do not know where you are coming from*, in time or geographically. I find that the *Economist* magazine, the *Wall Street Journal*, and the *New York Times* are among the best sources for getting a broader context on everything you learn and observe.

I call it “thinking up” – raise the level of your thinking to the next level. I seek answers to questions the reporters often are not asking. If the headlines (or cable news) are talking about the new CEO of General Motors, I want to know more about his or her background than the articles tell me. I want to know how he or she differs from their predecessor. If the headlines say that Fiat is buying Chrysler, I want to know why Volkswagen was not in the bidding, and what their plans might be. If there is a tsunami, I am more interested in learning plate tectonics – the cause – than in seeing more video reels. If I travel to Russia, as I did a few weeks ago, I first want to know the average income, average lifespan, and literacy levels; who their leader is and where he or she came from; and why Russians think the way they do, what history has brought them to today. Then I add my notes and observations to round out my comprehension.

Curiosity is the key.

Be positive with and about information and knowledge. Be free with it. Share it, don’t hold it back. It’s the one thing you can give away and still have – in fact it gets stronger when it is tossed about. Discuss it, challenge it, test it. Play with it. Be a conduit – every time you learn something, teach it to someone else; every time you teach you will learn. Study but don’t

believe everything said by experts – do your own research, discover your own certainties and uncertainties. Work through it. Take the hard route, not the easy route. Make it your own.

Lastly, nothing is more important – in your studies or in life – than your attitude. Over and over I see people who fail because they think they are failures, and others who succeed because they see themselves as successes. No matter how great the obstacles, the latter folks have an inner confidence that they can learn, that they can master things, that they have *potential*. It's a very different thing from being egotistical or arrogant – attributes I am sure you witness among some people of all ages. But usually those who seem to be all about their own ego are in fact insecure, with weak true egos. Strong people do not have to show off. The people around you know. People respect and seek *authenticity*.

Successful people are almost always optimists. I read just last night that when bad things happened to the great (and very eccentric) artist Salvador Dali, he thought, "If it happened to me, it has to be good, I just do not understand it yet; when I do, I will see the silver lining, the new opportunity." His friend Walt Disney bounced back from bad business news in about a day, always moving forward.

I have read a thousand times that getting a college degree will double or triple your lifetime income. I don't believe it. There are too many college dropouts – Michael Dell, Bill Gates, John Mackey of Whole Foods Market – who seem to have done okay for themselves financially. I think the types of people who go to college are people who are driven and ambitious, people who set high goals for themselves. Those are the people who do well in life, whether they learn in the classroom or in the library (John Mackey reads books about three hours every day) or both. We are *all* self-educated.

But what I *do* believe is that there is one way to double or triple your lifetime income. And it is so simple, a matter of habit. That is to *smile*. Not a fake smile or a smile that never quits. But a warm, authentic smile, especially upon greeting people, be they old friends or strangers. Nothing will make others more open to your ideas. Nothing will make others more likely to listen to you, to like you. Nothing will make you more beautiful.

Amber, I hope my notes have not seemed too crazy. I know that sometimes my advice is not what you are hearing on the streets or in school. I hope you find it useful, or at least that it makes you think new thoughts or see old things in new ways. I would love to know what *you* think, what you see and observe, what challenges perplex you as you move through life. I am always available for further discussions via my email at gary@hooversworld.com. May your life be filled with adventure, learning, joy, and satisfaction.

Gary Hoover