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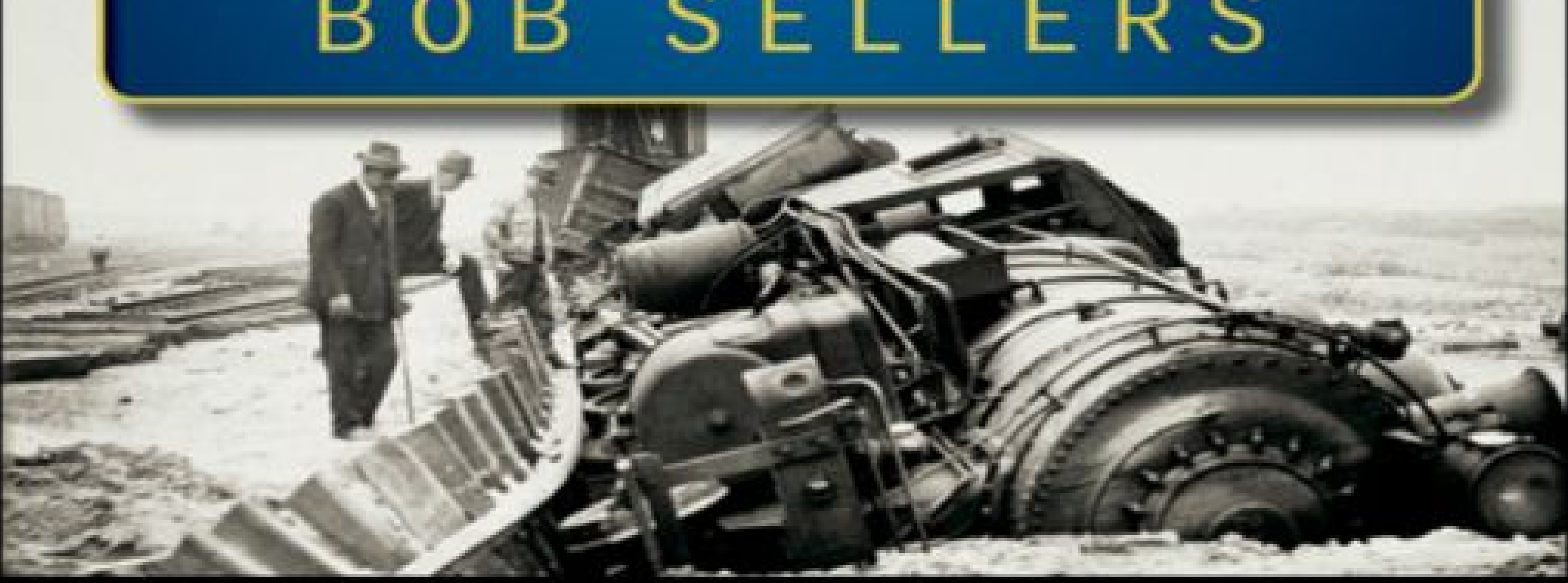
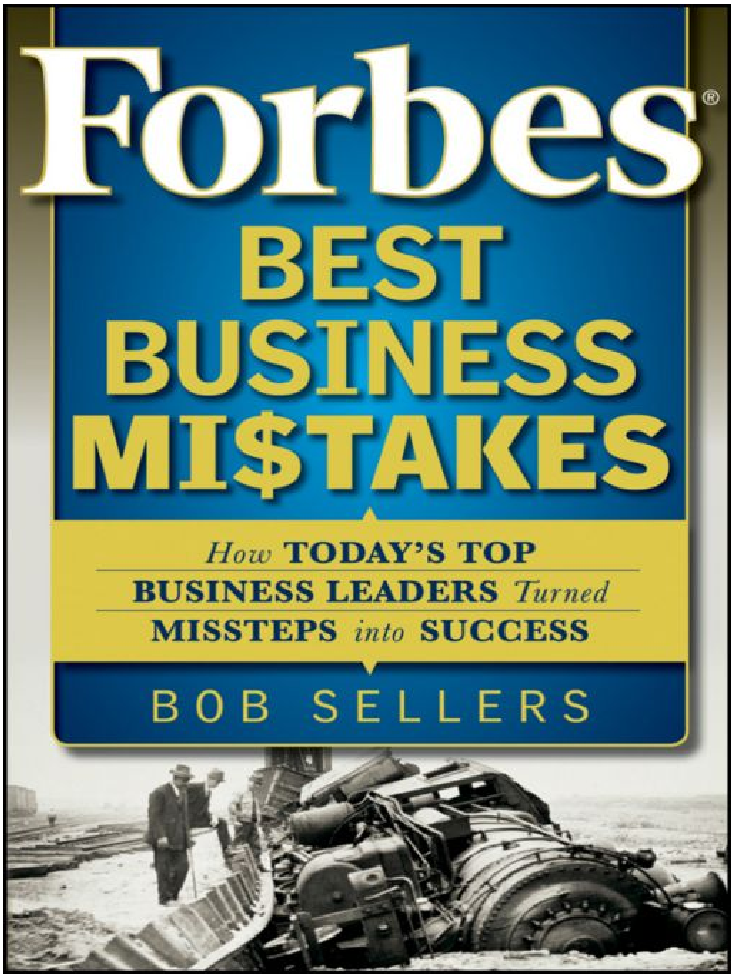
BEST BUSINESS MI$TAKES

How **TODAY'S TOP BUSINESS LEADERS** *Turned* **MISSTEPS** *into* **SUCCESS**

BOB SELLERS

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Acknowledgments

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I would also like to thank each of the participants for taking a chance on a topic that not everybody wants to talk about. I hope the profiles and my treatment of their stories warranted their trust and commitment to the project. And of course I want to extend my appreciation to Steve Forbes, whose company has seen fit to put its name on the book. For more than 90 years, the brand has earned widespread respect, and I consider it a privilege to try to live up to those standards.

Finally, there are two little girls who were often told in recent months, "Not now, girls, maybe later. Daddy's working on his book."

This is later.

About the Author

Bob Sellers has worked as a journalist for 20 years, including nine as an anchor at the national level with CNBC and Fox News Channel. At CNBC, he anchored three hours a day and reported on Wall Street during the dot-com buildup and collapse. At FNC he anchored daytime programs covering general news and international politics, interviewing everyone from Benjamin Netanyahu to Mikhail Gorbachev, and reported live from Baghdad in the early stages of the Iraq war in 2003. As a television anchor and general assignment reporter he has worked in Medford, Oregon; San Antonio, Texas; Seattle, Washington; and Washington, D.C. His columns have appeared in various magazines and newspapers, and he has worked as a financial consultant for Merrill Lynch and Shearson Lehman Hutton. He has appeared as a financial guest on CNBC and Fox Business Network, and has contributed to public radio's Marketplace Radio. He was drafted to play professional baseball out of high school by the Kansas City Royals, but chose to attend the University of Virginia instead. He has served on the Board of Advisors for the University's Media Studies Department. He now lives in Nashville with his wife, Anna, and their twin daughters. His web site is Bobsellers.net.

Introduction

Mistakes.

We all make them. There's nothing more personal, and nothing more powerful than the lessons taken from them. If you don't believe me, just ask some of the most accomplished people in America. That's exactly what I did in *Forbes Best Business Mistakes: How Today's Top Business Leaders Turned Missteps into Success.*

The strange thing is that these folks willingly talked to me about their missteps. I've worked for some of the biggest corporations and most successful television networks in the country and I've discovered that almost nobody else wants to talk about them. At least not in a positive way.

When you're at a dinner party or gathering of professional colleagues, you don't hear someone brag about how they made a huge mistake and it helped get them where they are today. No aspiring top-level executive is going to tap his fork against his wine glass to get the room's attention and then launch into a recounting of a monumental misstep that led to his professional demise—and his ultimate phoenixlike rise from the ashes to professional heights due to the lessons learned from a career blunder.

No, you usually hear about how smart someone is—about how they made a deft decision or arranged a crafty deal or picked an unknown stock that soared beyond anyone's expectations. But it might be a more valuable story to hear what went wrong. From talking to the people in this book, I've concluded that making mistakes and learning from them is an essential part of the process that leads to success.

Mohamed El-Erian, the PIMCO executive who once managed Harvard University's endowment, told me about the value he's seen in other people's experience. "I've learned from other people's mistakes," he said, and that's why he was willing to talk to me about his. "No one goes through life without making mistakes. Life is too unpredictable and we are imperfect instruments to deal with life. The important thing is not to make the same mistake over and over again. Recognize that it's not the end of the world if you make a mistake—these things happen. What is problematic is when you don't learn from the mistake."

Or as Winston Churchill said, "All men make mistakes, but only wise men learn from their mistakes."

Success in a business career—any career, really—doesn't happen because everything falls into place. For the Olympic athlete standing on the medal platform, success didn't come from just showing up on the day of the competition. There were years of putting in the hard work and learning from doing something over and over again and making corrections to what goes drastically wrong and tiny adjustments to what needs refining. And then there's the challenge of doing it when it counts. There's virtually no activity, athletic or otherwise, in which trial and error doesn't play a role. Why would a business career be any different?

"I've met successful people all over the world," Dave Ramsey told me, "athletes, artists, and people who have huge ministries, people who are known on television or whatever, and we perceive their success as somehow being linear, from point A to point B, just a straight line up the mountain. And the truth is it's a whole life full of fits and starts. It's a life full of course corrections. It's a life full of bumps on the head so you learn where to not put your head again."

Most of the people in this book were like the rest of us, working in comparative obscurity. They hadn't become household names. They weren't on the podium hoisting their gold medals in triumphant celebration for the world to see. They were putting in years of grinding and grueling work to master their professions, training themselves to deal with the obstacles they confronted, and at the ultimate moments of challenge, when they could apply the lessons they had learned through failure, they summoned the best of themselves, made the right decisions, and emerged with consequential career achievements.

And there's something else the people I talked to shared: a focused and unrelenting drive, which is probably why their mistakes couldn't throw them off track permanently. The attitude reminded me of the late football coach Vince Lombardi. He coached the Green Bay Packers to five league titles in nine years, including victories in the first two Super Bowls. He taught his teams to never give up. When they lost a game, he would say, "We didn't lose the game; we just ran out of time." It was reflection of Lombardi's relentless will to succeed. "The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather a lack of will." The Super Bowl's top prize is now called the Vince Lombardi Trophy.

"Best" Mistakes

Oh sure, there are books about mistakes. Most are about how to *avoid* them. You can find books on how to avoid mistakes in buying a house, picking a mate, writing a novel, investing your individual retirement account (IRA), putting on makeup, sailing a boat, speaking Italian, selling a product, speaking in public, getting into college, interviewing for a job, pursuing a legal case, managing subordinates, running a medical practice—even choosing a horse.

But you don't see too many books about why making mistakes is a positive, perhaps necessary, step toward success.

"Successful people learn from their mistakes," says Dr. Georgia Witkin, clinical psychiatrist at Mount Sinai Medical Center in New York. It sounds simple, but it's not. She says most people avoid the risk taking needed to succeed, because they can't handle failure. "People who reach the top of their fields embrace mistakes because the lessons they learn allow them to get closer to their goals. It's what sets them apart."

That's not to say all mistakes are good. In the corporate world, there was Ford's Edsel back in the 1950s and Betamax and New Coke in the 1980s; the Internet era had an abundance of them, though Pets.com and its screwy sock puppet readily comes to mind; and in recent years there was Jay Leno in prime time. But in all fairness, even those screwups contained lessons for somebody (wherever they are).

When I lived in Los Angeles I used to go down to Venice Beach over the Fourth of July weekend and watch all the crazy people come out. There was a guy there who would juggle *running* chain saws. Chain saws! How do you master *that* through trial and error? I always wondered if there was another guy with just one arm who juggled chain saws—was he better or worse than the guy with two arms? That wouldn't be a good mistake. Two mistakes and you're pretty much done.

And some mistakes are so big and personally destructive that no matter who you are, you wouldn't want to share them. Those aren't the kinds of things I wanted to know about from the participants in this book. I wanted to know about the *good* mistakes, the ones that contained true value.

The best mistakes here beat others in the value they provide. The business leaders share stories of missteps that provided opportunities for them to succeed. It could have been an event that taught them an enduring lesson, or a blunder that proved a natural step toward their eventual achievement. Or it could have been an experience that had the appearance to virtually everyone else of being a mistake, though they knew down deep that it wasn't—even if it took years before it became apparent to others.

Parts of the Book

In some cases, mistakes allow a person to define themselves.

Take John (Jack) Bogle, the legendary Wall Street manager and founder of Vanguard. He made a career mistake that cost him his job leading the Wellington Management Company back in the 1970s. Did he go find a hole to crawl into? No. He invented the stock index mutual fund. Nothing like creating a revenue generator that brings in hundreds of billions of dollars to put you back in good graces with the company.

"My best mistake was my biggest mistake," he told me. "I got fired, but I lived and I learned."

And there's Jack Welch, picked by *Fortune* magazine as the "Manager of the Century." Early in his career he was working with a group of chemists conducting an experiment when something went wrong and they blew the roof off the building! Instead of being fired, the incident helped catapult his career at General Electric.

The two Jacks, Welch and Bogle, lead off the "Legends and Gurus" part of this book. Their storytelling ability is fused with the insight that comes from decades of management experience. Like the old commercial for E.F. Hutton, when they talk, people listen. No one would deny Peter Lynch membership in that club, and he tells a story about a stock investment decision that changed the way he evaluates his investment positions.

And there are new faces in business leadership as well, like Jason Kilar at Hulu. His best mistake came from an event involving Jeff Bezos, his former boss at Amazon.com.

Jason is part of "The Next Generation" of leaders, people who are poised to take the reins from those who came before them. Jim Buckmaster of Craigslist is in that group. He made what many saw as a mistake on a personal level that changed his life for the better—but the payoff didn't come for another 10 years.

Meredith Whitney is included in the group of new leaders as well, since she has learned to pick stocks with the best on Wall Street, even if that means going against the grain and being contrarian. The will to blaze your own path is part of what good leaders are made of, and she's young enough and driven enough to set an example for those who follow her.

There are "**Personalities**" like Mark Cuban, who says he never would have succeeded to the level he did and become a billionaire if it weren't for something that went wrong with a wet T-shirt contest. Yes, a wet T-shirt contest.

Jim Cramer, the over-the-top CNBC host who made millions as a successful hedge fund manager, reveals a "colossal mistake" that helped him turn his firm around. And Suze Orman failed to follow her own gut feeling and extended trust to someone she felt she shouldn't. It was a million-dollar mistake. "That led to the best lesson that I have stuck with to this day," she says.

I've also included "**Chief Executives,**" who may or may not be CEOs, who have managed people and programs that matter—like Arthur Blank, who launched The Home Depot along with Bernie Marcus. His misstep could be studied by every business student looking for a blueprint on how to expand a successful business beyond the local zip codes.

And Dr. Bill Frist, the former U.S. Senate majority leader, helped set up the organ transplant program at Vanderbilt University. He was there when heart transplants were in their infancy. “Every time you cured one problem,” he says, “there was a new problem.” The lessons learned from mistakes in that endeavor actually save lives.

Barbara Corcoran, star of ABC’s *Shark Tank,* recounts a misstep that helped her become one of the biggest realtors in New York City: “I found a lesson that if you think ‘How the hell do I make something good out of this?’ all you need is to push a tiny bit more, that tiny 5 or 10 percent, to find something good.”

First the Pain, Then the Lesson

There are motivational speakers, of course, who will talk about dealing positively with missteps. But a lot of those speakers are people you’ve never heard of, or haven’t reached the levels of the participants in this book. I would rather learn how to hit a baseball from a major leaguer than a guy who hit .200 in the minors. (Although if that guy’s Michael Jordan, I might want some advice on running the triangle offense.) There’s nothing like hearing from the most accomplished businesspeople on how to deal with mistakes in a positive way.

Perhaps a perfect example is how Dave Ramsey took financial failure and turned it into a successful career. He didn’t become an expert on bankruptcy and foreclosure and taking control of your financial life by coincidence. He lost everything himself and had to put it all back together. He made a fortune *twice.* He made millions investing in real estate and then lost it all when the bank called his loans. It reached a point where creditors were phoning and asking his wife how she could stay with a loser who wouldn’t pay his bills.

“Pain is a thorough teacher,” he told me. “You don’t forget. And the deeper the pain, the more thorough the lesson.” But what makes Dave Ramsey stand out is that he not only dealt with his situation and got back on track financially, but he actually built a successful business *based* on it.

That is embracing a mistake.

Dr. JoAnn Dahlkoettner, a psychologist and former world-class athlete who works with athletes and business professionals in the San Francisco Bay Area, says that mistakes are an opportunity to learn.

“The wrong way to deal with a mistake is wallowing in the ‘why?’ ‘Why do I always do this?’ Instead,” she says, “you need an empowering question. ‘What can I learn from this?’ ‘How can I deal with this next time?’ ‘What’s the next step?’ ‘What *did* work?’ Think about what you did when you *were* successful.”

And she points out that you should avoid equating the mistake with *you.* “This has nothing to do with your value as a human being. Life is much bigger than this.”

Henry Ford never would have arrived at the Model T if he had given up after his first try, or his second, or his third. The car changed American life, but only because he learned from what went wrong and then got it right.

Since so many of the participants here are in highly competitive fields, I thought they might want to avoid talking about mistakes because mistakes could be perceived as a sign of weakness, like a smile on a New York City subway train. On the contrary. They talked freely, and it’s probably because they focused on the lessons. And those lessons could come in even the most unexpected places.

Bill Gross, Mohamed El-Erian’s colleague at PIMCO, told me about the lessons he learned playing blackjack that enabled him to become one of the best bond money managers on the planet. Can you learn how to invest money while you're gambling? Apparently so.

Arianna Huffington, founder of the HuffingtonPost.com, learned a big lesson while standing on the same stage as the political behemoths William F. Buckley and John Kenneth Galbraith. It's an experience that still informs her activities in the field of political discussion.

Who Would Appreciate This Book

If you're someone who works in what we might call the business or corporate world, you probably already recognize many of these names and know something about them. You'll appreciate their experiences, their stories, and their lessons. Some of the lessons you could directly apply in your own career or professional endeavors.

But the stories and lessons are universal. When Suze Orman refuses the lay blame for a costly mistake on the person who stole from her—"I allowed all this to happen; I created the situation to allow this person to do me in"—you don't have to be a Harvard MBA to appreciate it.

As a television journalist I think I've developed a sixth sense of when I'm losing someone's attention on the air. I've tried to apply that sense here. I kept from getting too technical, especially with Wall Street folks like Robert Prechter and William O'Neil, who have made a living talking about things like Fibonacci retracements and relative strength.

Back when I used to do business interviews and someone would mention a stock's price-earnings (P/E) ratio, I could feel a reactionary click of remotes. Not everybody would be lost—and certainly not some of the hard-core business viewers watching CNBC—but enough of their eyes were probably glazing over that I could feel it. So I would explain that P/E is the price of a stock divided by its earnings. It means how much someone would have to pay to get a dollar in earnings. The bigger the number, the more you have to pay to get earnings. A $20 stock with a dollar in yearly earnings per share has a 20 P/E. A 10 P/E is a better buy if everything else is the same.

Now, an astute viewer could argue that I'm leaving out many other elements, such as what industry the company was in (some industries run higher P/Es), whether I was talking about trailing earnings or forward earnings, and what the future was expected to hold. That's all true, but that kind of discussion would leave a lot of people out. I've tried not to do that here.

I've tried to maintain a sense for when you might click your remote, turn off your Kindle, or decide to check your e-mail or Facebook account. And you don't have to be a businessperson (whatever that is) to appreciate the stories and lessons.

Inspirational Profiles

I've interviewed a lot of people over the past two decades, but I've never gotten fresher, less rehearsed answers than on this topic. Most business leaders are accustomed to answering questions about their successes, so they've gotten pretty good at putting them together into polished stories. They've even gotten adept at defending their company missteps when stockholders or journalists try to hold them accountable. But in talking about their mistakes in a positive way—not their worst ones or the biggest ones, but their best ones—I've heard stories so personal that in some cases it's like listening to secrets. And in a way, they are. In some cases this is the first time they've talked about these experiences in public.

One recurring theme that I found in talking to the participants was the habit of following their gut. And their common advice to others was to do the same.

It could be that your gut feeling, that inner voice, guides you to be in the right place at the right time to combine your talents with the perfect opportunity like some cosmic intelligence compels birds to fly south for the winter. I'm not a psychologist or a self-help guru, so I'll leave the interpretation to others.

But an interesting element in the stories here is that even when these leaders followed their gut, it didn't mean that their life or business career put them on a smooth path. It didn't lead to a professional track of achievement attained on cruise control. There were many cases in which following their gut led to financial or professional turmoil. But the consensus was that eventually—and it could be many years later—trusting that gut feeling turned out to be the right choice. It might be because if you follow that inner voice, you will always be committed to what you are doing.

I hope that you will find an inspirational value to reading these profiles. The stories can help you see that something positive can come out of blunders, even big ones. And anybody who has seen tough times in the recent economy—and that's an overwhelming majority of us—can gain something from seeing the most successful among us discuss how they applied the lessons learned through failure in order to achieve greater success.

Part One

Legends and Gurus

There are many business leaders with significant accomplishments and stories that deserve respect, so how do you define a legend or guru?

For the purposes of this book, it's kind of a Hall of Fame based on accomplishments and reputations established in the business world (as opposed to still working on it). No one could deny that Jack Welch belongs, or Jack Bogle, who created an investment product virtually every investor has utilized. The folks here wouldn't have to work another day and they'd still be known for something they've done or accomplished.

I've also included Wall Street gurus who have made their reputations on the Street. They might even still be plying their trade (or trades), but will always be known for their accomplished financial wizardry, either over the long haul or at a memorable time in the nation's financial history (like Robert Prechter predicting the 1987 crash). Peter Lynch, with his phenomenal record running Fidelity's Magellan Fund, is certainly a guru, right? And that must mean that Bill Gross of the Pacific Investment Management Company (PIMCO) is as well, since he's often called the Peter Lynch of bonds. You get the gist.

The participants here all draw on a wealth of information and experience that is valuable to those of us with much to learn. You can argue over the inclusion of any particular individual, and many other business leaders in this book could have been added to this group, but frankly the book's chapters would be too lopsided. The ultimate purpose is to recognize a level of business acumen or wisdom that at some point in a career was manifested by their business decisions, so we want to hear what they have to say. Think of Yoda in a suit.

Chapter 1

JACK WELCH

CEO of General Electric Company (GE), 1981 to 2001

Named “Manager of the Century” by *Fortune* magazine

BS, MS, and PhD in chemical engineering

I worked for Jack Welch for four years. He was running GE when I was anchoring at CNBC. This may be hard to recall, but NBC was the number one broadcast network then. Must-see TV dominated the Thursday night lineup. The *Tonight Show* was number one in its time slot, with no host controversy. CNBC was the number one cable network and even then was making more than $300 million a year. And this was all in a division that was pretty much a sideline business for the conglomerate. But Jack was quoted as saying, “You don’t sell beachfront property.” Since Jack left, there has been erosion on that beach.

Being number one was not a coincidence. Jack always told us he made it a policy that every business endeavor in which GE was active would have to be number one or a strong number two in order for the corporation to stay committed to it.