HOW TO BE A BILLIONAIRE

Proven Strategies From The Titans Of Wealth

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MAIN IDEA

In 1999, *Forbes* listed 268 individuals in the United States alone who had personal net worths of $1 billion or more. What did these people do differently from everyone else to achieve such impressive, world-class accumulation of wealth?

In short, billionaires start with the same basic elements every successful person uses: aspiration + inspiration + perspiration. To that foundation, billionaires then added some unique touches:

- They improved their chances of success by focusing their efforts in high-growth industries.
- They came up with unique ways to differentiate themselves – to stand out from the crowd.
- They undertook bigger risks, thereby positioning themselves to realize proportionally larger gains as well.
- They applied unorthodox business strategies.
- They came up with better ways to execute other people's ideas.
- They seized the moment and made today their time to shine, rather than waiting for some future payday.

Simply put, the best way to see ahead into the future is to stand on the shoulders of the giants of the past. If these strategies have worked for the established world-class accumulators of wealth, then they are worthy of emulation in the future.

"Regardless of whether you set your target as high as a billion dollars, you will improve your chances for achieving your personal wealth objectives if you employ these strategies and principles. Merely desiring riches is easy. The popularity of lotteries proves that millions of people want to be extremely wealthy. Only a few hundred in all the world are billionaires, however. This shows that making up your mind to be superrich is an altogether different matter. Genuinely resolving to become a billionaire means committing yourself wholeheartedly to the goal. It means subordinating all other goals to an all-consuming quest for wealth."

– Martin Fridson

9 Fundamental Wealth Building Strategies

1. Take extraordinary, monumental business risks.
2. Innovate – Do business in fundamentally different ways to others.
3. Dominate your market – and use that dominance wisely.
4. Consolidate an industry – better than anyone else can.
5. Buy low – and then be proactive in harnessing those assets.
6. Make astute business deals which exploit all available profit sources.
7. Outmanage competitors in organization, recruitment and motivation.
8. Work the system – Invest in achieving political influence.
9. Outfox organized labor – Resist the unions.

12 Key Principles of Billion Dollar Wealth

1. Pursue the wealth creating power of new ideas.
2. Always remember rules can be broken.
3. Copying is far more profitable than innovating.
4. Pursue growth aggressively and constantly.
5. Hold on to your equity stake.
6. Hard work is the price of entry into the game.
7. Use financial leverage intelligently.
8. Always keep a back door open.
9. Make loads of mistakes – but learn from each and every one.
10. Be frugal.
11. Enjoy the pursuit, not just the destination.
12. Develop a thick skin and resilience to the opinions of others.

Section 1
The 9 Fundamental Wealth Building Strategies of the Billionaires

Billionaire Strategies 1 – Take extraordinary, monumental business risks.

Strategy

Billionaires vary in their tolerance for risk, and being a high risk taker isn't a necessity for amassing impressive amounts of wealth. Yet, almost without exception, all billionaires take risks at some point in their business careers that others hesitate to take. Most often, these risks are taken on the basis of intimate knowledge of the business, and when they work out, have the effect of launching net worth into a higher orbit.

Examples

- When Apple and Microsoft went to court over computer software in March 1989, Steve Ballmer (then the sales manager of Microsoft) purchased $46 million of Microsoft stock. Within three years, those shares had a market value exceeding $350 million as the court ruled in Microsoft's favor.
- Sam Walton was highly conservative, always avoiding debt. He did, however, go into debt when bar-coding and satellite communications became available – long before they were proven to be viable ideas for general merchandising. The adoption of this new technology turned out to be an astute investment which saw Wal-Mart leap ahead of its competitors.
- H.L. Hunt parlayed a $50 start-up capital stake in 1921 into a $600,000 pool of capital in 1925 by investing in the oil business. He then offered to buy an apparently dry oil well from a wildcat driller for $50,000 in cash, $45,000 in promissory notes and a guarantee of $1.3 million should the well go into production in the future. The owner accepted the offer, and Hunt later managed to turn that well into a huge oil producer which ultimately generated more than $100 million in profits for him.
- John Kluge took Metromedia private in a $1.2 billion leveraged buyout in 1984. He even had to refinance part of the transaction in order to comply with government regulations, using high yield "junk bonds". As the prices of broadcasting assets surged over the next two years, Kluge not only managed to pay off the debt but also netted a profit of $1.6 billion. Kluge risked everything he had created over the preceding 25-years on the direction the stock market would move from 1984 to 1986. And in doing so, became a billionaire.

Key Thoughts

"The greatest factor in my life – and I know entrepreneurial people don't want to express it, they think it diminishes them – but luck plays a large part. I think the ability to gauge risks is crucial. I never ordinarily take on things that I can't see some end to, where you pile risks on risks."

– John Kluge

"The race isn't always to the swift, nor the battle to the strong, but that's the way to bet."

– Damon Runyon

Billionaire Strategies 2 – Innovate – Do business in fundamentally different ways.

Strategy

Most often, business innovation means to execute a good idea better than the competitors rather than having an original idea. Billionaires often upset the status quo by doing something better than anyone else can manage – which usually attracts loads of criticism from those with vested interests who liked things just the way they were.

Examples

- Ross Perot resigned from IBM and formed Electronic Data Systems (EDS) in 1962 with $1,000 he borrowed from his wife. He rapidly built EDS into a successful computer services business on the strength of low overheads, creating huge incentives for employees and minimal bureaucracy. (Interestingly, Ross Perot had actually approached IBM with the idea of expanding their computer services division first, and had been turned down, so he decided to make a go of the business himself). As it turned out, EDS was in the right place just as the demand for computer services took off. For example, when the federal government introduced Medicare in 1965, EDS was already processing medical claims for the Texas state government, and EDS was able to quickly expand throughout the country. Perot excelled at building an organization full of self-starters who used their own initiative to generate more business for the company. By the time EDS went public in 1968, Ross Perot's EDS stock was worth more than $1.5 billion. He would later sell his controlling interest in EDS to General Motors for $2.55 billion and start a new company, Perot Systems. By the time of its 1999 IPO, Perot's stake in his new company was worth more than $2.1 billion.
- Sam Walton started his first Wal-Mart in 1962, and by 1991 was the largest U.S. retailer with $32.6 billion in sales. He succeeded in building his business around the central framework of a strong work ethic, prudent risk taking and an overwhelming desire to beat the competition. Walton always freely admitted he probably spent more time in his competitor's stores than anyone else and he adopted the best business practices he saw elsewhere. Sam Walton just managed to consistently find ways to do it better than anyone else. He also injected a lot of personality, and adherence to the American way of doing business, into everything he did.

Key Thoughts

"The day I made eagle scout was more important to me than the day I discovered I was a billionaire."

– Ross Perot

"Most everything I've done I've copied from someone else."

– Sam Walton

"Sam Walton's career strongly suggests that a mere desire to amass wealth is not a sufficiently strong enough motivation. Success is more likely to accrue to people who find intrinsic satisfaction in the accumulation of wealth, as opposed to the possession of wealth."

– Martin Fridson

"Eagles don't flock. You have to find them one at a time."

– Ross Perot

Billionaire Strategies 3 — Dominate your market – and use that dominance wisely.

Strategy

Achieving and sustaining a position of market dominance is one of the more obvious Billionaire strategies, although it often attracts the attention of regulators. Smart wealth builders price their goods at a level that generates healthy rather than sensational profits so as to avoid new market entrants.

Examples

- Standard Oil Company, created by John D. Rockefeller, is considered the textbook example of this type of strategy. He used secret discounts on railroad shipping costs to acquire all his competitors and build America's largest refining company. Rockefeller then gradually expanded his company's reach, adding still further strategic assets and other companies. This, in turn, attracted antitrust action, which ultimately led to the breakup of the business. However, by the time of his death in 1937, John Rockefeller had given away more than $1.3 billion to charity but still had a net worth exceeding $1.7 billion.
- In the computer era, Microsoft is considered to be the prime example of the benefits of market dominance. Founded in 1975, Microsoft has always been a computer software development company. The business really took off when it landed the contract to develop the operating system software for the upcoming IBM PC in 1981. Microsoft's software – which it had purchased from the original developer for $50,000 – generated $16 million in sales the first year it was released, and within 10-years was generating over $200 million annually. The company was slow to move into the applications software market, and it wasn't really until the release of the Windows product line in 1984 that Microsoft moved aggressively into this field. On the strength of Windows, Microsoft became the first software company to exceed $1 billion in annual revenue in 1990. In subsequent years, Microsoft has continued to grow spectacularly, on the strength of business strategies like:
  - Being perfectly prepared to make enemies by playing to win with tenacity and ingenuity.
  - Being dedicated to success – which means in practical terms working harder than everyone else.
  - Making the most of any good fortune that comes along, whether it is truly deserved or not. Microsoft has never been too proud to take advantage of lucky breaks and the mistakes of competitors.
  - Being prepared to test boundaries, to push the envelope and engage in a little bit of brinkmanship.

Key Thoughts

"If we weren't so ruthless, we'd be making more creative software? We'd rather kill a competitor than grow the market? Those are clear lies. Who grew this market? We did. We survived companies like IBM, ten times our size, taking us on."

– Bill Gates

"I believe it is my duty to make money and still more money and to use the money I make for the good of my fellow man according to the dictates of my conscience."

– John D. Rockefeller Sr.

Billionaire Strategies 4 — Consolidate an industry – better than anyone else can.

Strategy

Consolidating a large number of small business enterprises into a large company with better cost efficiencies is a viable strategy for creating wealth. Billionaires who are exceptional deal makers and good organizers have used this strategy with great success.

Examples

- J. Pierpont Morgan was the mastermind behind the consolidations of a number of small businesses which ultimately became American Telephone & Telegraph, General Electric, International Harvester, United States Steel Corporation, Western Union and Westinghouse Electric Corporation.
- Wayne Huizenga has become a billionaire by undertaking consolidations in the waste hauling, videotape rental, automobile sales and rental, hotels, portable toilets, lawn care, bottled water, pest control, billboards and machine parts industries. The billion dollar companies he has built include Waste Management Technologies, Blockbuster Video and Republic Industries. The strategies employed in building these companies have included:
  - Astute financial savvy – using techniques like the "purchase method" of accounting to ensure the consolidated business treats the goodwill paid advantageously from an accounting perspective.
  - Having highly motivated managers – by encouraging them to buy stock in the company with their own money.
  - Owning business enterprises which are closely involved in the operation of the consolidating company.
  - Networking assiduously.
  - Hard work.
  - Rigorous negotiation skills and a willingness to renegotiate repeatedly until favorable terms can be worked out.
  - An intense desire to win, combined with a willingness to do whatever it takes.
  - An ability to find out what the other party wants out of a deal, beyond money.

Key Thoughts

"Money is how you keep score."

– Wayne Huizenga

"We operate under the philosophy that we're no smarter than our competitor. To accomplish twice as much, you have to work twice as hard, and we have a lot of hardworking people who don't mind making a sacrifice to see the company grow."

– Wayne Huizenga

"A deal is like chasing a girl. You work at it until she says yes. You keep putting the pressure on them. Hit 'em right between the eyes. You kill 'em."

– Wayne Huizenga

"Wayne always keeps the carrot far enough out in front of him and he never really wants to catch it. That's his personality. He's never satisfied."

– Dean Buttrock, Waste Management

Billionaire Strategies | 5 | Buy low – and then be proactive in harnessing those assets.

Strategy

Everyone knows the key to success is to buy low and sell high. Lesser known is the fact Billionaires don't leave the sell high side of the equation to chance. They get actively involved in creating the conditions necessary for a high sale price to be realized.

Examples

- J. Paul Getty had a highly refined ability to find bargains. He hired tutors to teach him about art, and then proceeded to become a successful art collector. Equally, during the Great Depression, he purchased many properties for a fraction of their construction costs. And he excelled in the oil industry, often purchasing tracts of land others had passed over and turning them into impressive performers. He also played a large part in the establishment of the Saudi Arabian oil industry because he negotiated favorable terms.
- Laurence Tisch made his fortune by finding value where others saw none. He took an unprofitable movie house, Loew's Theaters, and started acquiring New York hotels, which he then renovated lavishly and arranged for high profile guests. Again, in the 1980s, Tisch prospered by going against conventional wisdom and buying offshore oil drilling rigs during a severe downturn in the exploration industry. When the market rebounded, those investments generated huge cashflows. Tisch also became chief executive officer of CBS in 1986 when its value was vlow and led an enthusiastic cost cutting exercise. He did well when CBS was sold to Westinghouse Electric in 1995.
- Warren Buffet is generally considered to be the world's most successful investor. His entire investment strategy is simple to describe yet difficult to emulate:
  - Wherever possible, acquire a controlling interest in the companies invested in, and then work with management to improve profitability.
  - Acquire a strong cashflow business – like an insurance company – to provide funds for investment, tax benefits and financial leverage.
  - Put extraordinary managers in charge of each business, focused on attaining the highest possible return on investment rate.
  - Hold stock in a small number of superior companies which have unique business franchises for long periods.
  - Negotiate terms that would not be available to smaller investors.
  - Find value where other commentators only see problems and potential poor results.

Key Thoughts

"I look for businesses in which I think I can predict what they're going to look like in ten or fifteen or twenty years. Take Wrigley's chewing gum. I don't think the Internet is going to change how people are going to chew gum."

– Warren Buffet

"Your standard of living doesn't change after the first million. I don't want to become possessed by my possessions."

– Laurence Tisch

Billionaire Strategies | 6 | Make astute business deals which exploit all available profit sources.

Strategy

Smart deal makers are keenly aware of all the profit sources inherent in every transaction, and negotiate terms that position themselves to profit regardless of how everything works out. Billionaires succeed because they master all the complexities, inferences and flow-on effects of business transactions better than the people on the other side of the negotiating table.

Examples

- Kirk Kerkorian started out buying and selling surplus military airplanes at the end of World War II. He was also an early investor in Las Vegas, well before it became established. The ability to spot and negotiate a good deal before anyone else does has continued to serve him well. Kerkorian later became involved in a number of corporate acquisitions, often being able to profit handsomely by selling a stake in a company back to its own management for huge profits. He is also the master of contingency planning – and never enters into any transaction without several exit strategies being available for use as required. Kerkorian was very active in the 1990s, with investments in the leisure industries field and a highly public and ultimately profitable investment in Chrysler (where his $1.4 billion investment grew to more than $5 billion in market value).
- Carl Icahn excels at negotiating complex business transactions. Frequently, he will start rambling on unrelated topics in the middle of a negotiation in a bid to win more concessions while the other party is distracted. Another often used technique of his is to return to the negotiating table with revisions on deals that have already been agreed to. Icahn is also a master of making an insultingly low-ball opening offer, just to see what the reaction of the other party is. Throughout his career, Icahn has frequently taken huge personal financial risks, and put himself into exceptionally tight situations and then negotiated his way out again. His tenacity at negotiating has been the whole foundation of a billion-dollar fortune.
- Phil Anschutz brought the Southern Pacific Railroad in 1988 and then set about putting together a merger with Union Pacific to create the largest railroad in the United States less than 10-years later. By virtue of being an astute deal maker, combined with the ability to analyze what markets are likely to grow in importance, Anschutz managed to raise his net worth from $1.9 billion in 1993 to $6.2 billion in 1997. Anschutz excels at finding ways to use assets creatively that have not occurred to other analysts.

Key Thoughts

"There was a time when I was aiming at $100,000. Then I thought I'd have it made if I got a million dollars. Now it isn't the money."

– Kirk Kerkorian

"It's exciting when you're playing for high stakes and you feel you have an edge."

– Carl Icahn

"I am a student of strategic timing and cycles. It's important to have your back to the wall. It teaches you how to think outside the box."

– Phil Anschutz

Billionaire Strategies	7	Outmanage competitors in organization, recruiting, motivation.

Strategy

Billionaires tend to focus their organizational attention on these key tasks better than others:
• Developing responsive organizational structures.
• Recruiting high caliber managers to handle day-to-day details.
• Motivating managers by giving them a piece of the action.
• Delegating meaningful amounts of authority to executives.
• Attracting people who are prepared to challenge decisions.
• Staying close enough to be aware of upcoming problems.
• Constantly focusing on controlling costs effectively.
• Adding a sense of fun when appropriate.
• Being genuinely concerned for people in the organization.

In total, Billionaires tend to have an organizational style that matches their personality while being effective managers.

Examples

- Richard Branson is famous for violating every conceivable convention of business except making money. Starting with a magazine publishing business as a 15-year old, he has built the Virgin Group into an impressive conglomerate, encompassing over 200 different businesses. Branson has even recently formed Virgin Galactic Airways to provide spaceflights to tourists in the future. Branson also excels at attracting publicity as a one-person "adventure capitalist" – by either doing outrageous things or attempting to break records. In amongst all the fun, however, Branson has succeeded in making a large number of his managers millionaires while his own net worth tops $1.9 billion. In essence, Branson is a rather unique combination of three key business traits:
  • An effective, if unconventional, management style.
  • A bold and tenacious negotiating technique.
  • An intense competitive streak and desire to win.
- Bill Gates is widely known for establishing a confrontational management style within Microsoft, which he considers to be the best way to motivate people to exceptional effort. All of Microsoft's managers are widely reputed to be quick to point out stupid ideas, while those employees that show resilience in the face of cutting critiques of their work gain respect within the company. That management style also neatly complements Microsoft's recruitment program which openly seeks out new employees who are smart, aggressive and driven to succeed. It also may account for part of the reason Microsoft has produced more millionaire employees than any company in history.

Key Thoughts

"Back in 1970, I couldn't decide whether to call the company Virgin or Slipped Disc Records. I guess I chose Virgin because it reflected an inexperience in business – among other things – and also a freshness and a slight outrageousness."
– Richard Branson

"We would rip people to pieces. We would ask them to solve very difficult technical questions, hand them a piece of paper and pen and say solve this problem. We probably lost some people but the people we did hire were good at solving very difficult problems under pressure."
– Microsoft executive Scott McGregor

Billionaire Strategies	8	Work the system – Invest in achieving political influence.

Strategy

Billionaires are realists. They acknowledge politicians can have a strong influence on the success or failure of their attempts to accumulate wealth. Therefore, to tilt the playing field to their own advantage, Billionaires have frequently:

1. *Created an underdog image for themselves.*
   Although this is clearly more difficult for some people to achieve than others, Billionaires tend to package their requests as the solution to a problem that will affect significant numbers of people in far reaching ways.
2. *Cultivated government contacts and friendships.*
   While political fund raising may be tightly regulated and disclosed, less rigorous standards apply to contributions to activities that elected representatives hold dear. This has increasingly become standard operating procedure for making friends in government.
3. *Devised complex benefits politicians can support.*
   In politics, perceptions are everything. By devising complex benefits, the costs become less clear, diluting the attention of opponents. Billionaires manage to package their benefits packages cleverly.

In the final analysis, political influence is a valid means by which profits can be pursued.

Key Thought

"No one ever asked me for anything more than an unfair advantage."
– J. Cordell Moore, Assistant Secretary of the Interior

Billionaire Strategies	9	Outfox organized labor – Resist the unions.

Strategy

While it is true nobody has ever become a Billionaire by defeating labor unions, it's equally true a number of history's Billionaires have devoted significant amounts of their time and energy to keeping unions out of the companies they own or control.

In essence, labor relations have a direct impact on the profitability of almost every business enterprise. Again, Billionaires take a realistic approach to this aspect of business, and seek to create conditions which are tilted more in their favor than against them. The tactics by which they achieve that varies, but the objective remains consistent.

More than likely, organized labor will be less of an influence in the New Economy than it was in the industrial era. For those industries which are still heavily unionized, Billionaires will still endeavor to negotiate with union leaders to create arrangements that enhance the value of the company. They will still be proactively involved. Whether the labor disputes of the past fade into history or get recycled in new formats in the future, Billionaires will still seek out the best possible terms and conditions.

Section 2
The 12 Key Business Principles Billionaires Have Used

Key Principle 1 — Pursue the wealth creating power of new ideas.

- John D. Rockefeller Sr. was prepared to buy new oil fields and build pipelines long before scientists had devised the processes by which that crude oil could be turned into a usable product. Then, when that process was finally available, he was ready to get to market quickly.
- At the time Bill Gates purchased the operating system software for an outlay of $50,000, it was a "bet the company" gamble. If the IBM PC had not taken off, the investment would possibly have bankrupted Microsoft.
- J. Paul Getty hired tutors to teach him about art and built up a vast collection while the prices were low. When the art market turned, he sold off his collection for huge profits. He also negotiated a deal to acquire the oil drilling rights from the Saudi Arabian government at a time most drillers thought the idea was unworkable. This later turned out to be one of the largest reserves of oil in the world.
- Richard Branson is constantly on the lookout for new ideas. Many of Virgin Group's new business ventures are launched after current employees have suggested the business concept and how it should be delivered.
- After selling off his ownership stake in Southern Pacific Railroad for a healthy profit of more than $1.4 billion, Phil Anschutz retained his interest in a fiber-optics business which he had constructed alongside the railroad tracks. When that company went public as Qwest Communications International, Anschutz's 85-percent stake was worth $3.5 billion.

Key Principle 2 — Always remember rules can be broken.

- To get started as a flight instructor, Kirk Kerkorian induced an employee of the Los Angeles school system to fake a letter indicating he had completed high school. From there, Kerkorian managed to start his own charter airline, the foundation of his wealth building success.
- Richard Branson had several brushes with authorities in the early days of his business empire building. In one celebrated incident, he was even arrested and detained overnight for the nonpayment of export taxes. He later had to pay a fine of $85,000 – which his parents provided by mortgaging their house.
- Carl Icahn was famous for reopening negotiations on done deals. Often, he would take a previous agreement simply as the starting point for a fresh round of negotiations, extracting one concession after another from the other party until the other party gave in through sheer exhaustion and frustration.
- Most investors avoid getting involved in the companies they invest in. Warren Buffet takes the opposite approach. He invests in a company (even purchasing it outright if possible) and then works closely with the management to add value. As a result, since 1969, the value of Warren Buffet's investments have grown at the rate of 29.5-percent a year.

Key Principle 3 — Copying is far more profitable than innovating.

- Microsoft didn't develop the original version of its disk operating system software – it purchased it from another company. Getting to the market quickly outweighs originality when it comes to generating revenues.
- Sam Walton raised copying his competitors almost to an art form. He unashamedly got his best ideas by observing what his competitors were doing and then finding better ways to do the same thing.
- Ross Perot copied the success of EDS with his new company, Perot Systems. He even went so far as to persuade a number of EDS staff to leave and join him in his new venture.
- Wayne Huizenga's strategy of consolidating fragmented industries was copied directly from one of the all-time leaders in this field – the banker J. Pierpont Morgan.
- John D. Rockefeller's strategy of negotiating secret discounts not available to other oil shippers in the late-1860s was the result of his observing others do similar things in other industries. And when the regulators attempted to negate that advantage, he always managed to stay one step ahead of them.

Key Principle 4 — Pursue growth aggressively and constantly.

- H.L. Hunt got started in the oil industry by making offers more established operators thought too risky. If they had failed, he would have been financially devastated, but they turned out exceptionally well – laying the foundation for future growth.
- John Kluge's 1984 buyout of Metromedia was highly leveraged. He ended up borrowing $1.2 billion to make the transaction, but he turned it into a huge success.
- Ross Perot left and formed his own company when IBM failed to see the merit in his idea of computer services as a growth business.
- Between 1970 and 1980, Sam Walton expanded Wal-Mart from 32 to 276 stores. By 1990, he had opened 1,525 stores with $25.8 billion in annual sales. Walton would often scout out a location for a new store from his airplane, land, find the owner and strike a deal to buy the property on the spot.
- Kirk Kerkorian started in the airline business, went into investing in property development, the motion picture industry and ended up building a $1.4 billion stake in Chrysler, which later grew in value to more than $5 billion. Most commentators could see no logic to his method, but Kerkorian's mantra was to make more and more deals.
- In the early days of Microsoft, Bill Gates was content to generate revenues from selling operating systems and computer language software. When he realized how large an industry applications software was becoming, he moved Microsoft aggressively into that field. The company's early products were less than stellar success stories, but over time, the company aggressively grew its product line. Today, Microsoft is the world's largest software company – an accomplishment which seems to attract more critics than admirers.

Key Principle 5 — Hold on to your equity stake.

- At the time EDS went public in 1968, Ross Perot still owned 81-percent of the company. The balance went to engineers whom Perot had persuaded to join the company. In less than a decade, EDS grew from a start-up to a company with a market valuation of more than $2 billion.
- Forty years after the establishment of Wal-Mart, Sam Walton still owned 39-percent of the stock in the company – worth around $8.5 billion in 1987.
- When Microsoft went public in 1986, Bill Gates owned 53-percent of the company, Paul Allen 31-percent and Steve Ballmer 8-percent. Only 5-percent of the company had been sold to venture capitalists.
- Whenever Richard Branson starts a new business for the Virgin Group, he always makes certain the managers get a meaningful stake in the new business enterprise. That way, they become happy and highly motivated employees – focused on making the business a success. It also allows Branson to avoid getting caught up in the day-to-day operational details for the more than 200 companies he owns.

Key Principle 6 — Hard work is the price of entry into the game.

- When Wayne Huizenga first started building Waste Management, he would haul waste himself from 2 a.m. until noon. Then he would go home, shower, put on his only suit and start looking for new business. Starting with a single garbage truck and 20 customers in 1962, within six years he had more than 40 garbage trucks. Even in later years when he was building Blockbuster Entertainment, his idea of a light workload was to arrive at a store he was visiting at 6:30 a.m. instead of his more customary 4:30 a.m.
- John D. Rockefeller Sr. was so committed to his regular routine that he worked on the morning and afternoon of his wedding.
- In the early days of Microsoft, they used to have competitions to see who could stay at the office for the longest time. Baths and personal hygiene were not high priorities. Writing good code was.
- During the 1985 takeover battle for Trans World Airlines, Carl Icahn used to turn up for 9 p.m. negotiating sessions at 11 p.m. having gone home, taken a nap and showered. He would arrive fresh while the other side would already be starting to tire after talking to his lawyers for a solid couple of hours. Icahn would then try and push for fresh concessions from the other side, gradually wearing them out.
- While still at school, Warren Buffet built up a paper route of more than 500 houses. He even went so far as to offer the main two competing newspapers in his town – so that if any of his customers changed from one newspaper to another, he could still retain them as customers.
- H.L. Hunt began his working career at age 16 as a cowboy. He then tried his hand at being a lumberjack. He followed that be working on a railroad gang. It wasn't until he received a $5,000 inheritance that he became a cotton farmer.

Key Principle 7 — Use financial leverage intelligently.

- John Kluge borrowed $1.2 billion to complete a leveraged buyout of Metromedia – one of the largest and riskiest transactions ever attempted. If the prices of his assets had not risen sufficiently fast for him to make the interest payments, he would have been bankrupted. Fortunately, the market grew quickly – allowing him to pay off all the debt and realize a $1.6 billion profit.
- By 1970, Sam Walton had personally borrowed more than $2 million to fund Wal-Mart's expansion. That money was repaid when Wal-Mart went public. Later, Wal-Mart itself spent aggressively on new technology like bar coding and satellite communications before it was clear how these applications would work out.
- To fund the growth of Waste Management, Wayne Huizenga provided personal guarantees. When those were fully utilized, he persuaded his parents, father-in-law and aunts and uncles to do likewise. He also persuaded the sellers in his first two acquisitions to take back paper.

Key Principle 8 — Always keep a back door open.

- Whenever Kirk Kerkorian bought a used aircraft, he would first try and sell it at a profit. If that failed, he would look at using the plane as part of his charter fleet. If that didn't seem financially viable, he could then exercise a clause in the original purchase agreement to sell the airplane back to the manufacturer at an agreed-upon price. By maintaining several different options, he had more flexibility in his negotiations.
- When a $200 million loan became payable by Trans World Airlines to Carl Icahn in 1995, the company lacked the cash to pay it, since it had gone bankrupt. Icahn accepted payment in airline tickets, issued to him at a discount. By selling those tickets to third parties, Icahn got his money and the airline got more business.
- When Phil Anschutz bought his first major oil well in 1968, he borrowed heavily. Then disaster struck – a fire broke out his well. Anschutz immediately brought another driller's interests simply by assuming all his liabilities. He then contacted Universal Studios, who were just filming the movie *Hellfighters* starring John Wayne. In exchange for a fee of $100,000, Anschutz agreed to let the film company get some real-life footage of his burning well. He then used that money to pay Red Adair, the firefighter on whose life the film was based, to put out the fire for him. The well later proved to be a huge money earner for Anschutz.
- When Laurence Tisch was negotiating his first major business enterprise – management of a 300-room hotel called Laurel-in-the-Pines – he negotiated a lease rather than an outright purchase. That way, if things didn't work out as planned, there was a ready exit strategy. In the end, this didn't prove to be necessary, as the hotel was highly successful and Tisch later acquired it using the profits earned by the operating lease.

Key Principle 9 — Make loads of mistakes – but learn from each and every one.

- Ross Perot had the opportunity to buy Microsoft when Bill Gates was just starting to build it up. He wouldn't agree to pay the price Gates set – and missed out on the opportunity to own one of the most valuable companies in history.
- Sam Walton started his career managing and building the business at a store he thought he was going to be able to buy – only to have the owner fire him.
- J. Paul Getty invested more than $30 million in drilling five dry oil wells in Saudi Arabia and was almost at the point of giving up before his last well succeeded.
- Warren Buffet has had a number of unsuccessful investments, the largest being a 1989 investment in USAir. Another was Berkshire Hathaway's original business which was textile milling. The business was ultimately shut down, and Berkshire Hathaway was converted into an investment holding company instead.
- Laurence Tisch lost more than $8 million investing in a company called Equity Funding which was later closed down by securities regulators for accounting fraud.

Key Principle 10 — Be frugal.

- Sam Walton was famous for picking up visitors to his corporate headquarters in "an old car with cuts on the dashboard" or his pickup truck, complete with bird-hunting dogs.
- Even though he was a director of General Motors, Ross Perot preferred to drive his own seven-year-old Oldsmobile rather than be chauffeured around. In fact, he had even traded in his six-year-old Chevrolet to buy the Oldsmobile.
- J. Paul Getty was famous for installing a pay phone in his house for his guests to use. Another time, when a friend made him an offer to purchase a hotel he owned for $17.5 million, Getty insisted his friend should pay for the cable which was sent to Getty's lawyer to draw up terms for the purchase. In addition, Getty also insisted on adding a clause which stated if any better offers came forward in the next 90-days, he would be released from his obligation to sell to his friend. In the end, a better bid did emerge.
- When Laurence Tisch became CEO of CBS Broadcasting, he was appalled at the number of uniformed security guards in the foyer of their building. He also promptly banned the use of limousines, rented typewriters and messenger services by the company.
- Warren Buffet works from an unpretentious office and lives in a comfortable but modest house, despite being one of the wealthiest individuals in America.

Key Principle 11 — Enjoy the pursuit, not just the destination.

- Not content with having created from scratch Electronic Data Systems, Ross Perot started Perot Systems and built it into a hugely successful company.
- Wayne Huizenga created three billion dollar companies – Waste Management, Blockbuster Entertainment and Republic Industries.
- Phil Anschutz took a railroad company and created a very successful communications company.
- When hospitalized at age 85, H.L. Hunt still continued to go to his office six days a week – even if he had to go by wheelchair.
- When negotiating an acquisition, Kirk Kerkorian came close to being financially wiped out on three separate occasions. In fact, in the early 1970s, he suffered financial losses exceeding $400 million. Yet, at age 81, after abandoning a leveraged buyout of Chrysler, he was still in the middle of negotiation huge deals as well as becoming a father for the third time.

Key Principle 12 — Develop a thick skin and resilience to the opinions of others.

- Bill Gates has numerous Web sites dedicated to portraying him as mankind's greatest threat.
- Ross Perot ran for election as President of the United States in 1992 and 1996. He was unsuccessful, although he did make one of history's strongest showings by an independent candidate.
- Richard Branson has spent his entire career having people tell him he's doing things the wrong way. He breaks every business convention that exists – except the notion that you're in business to make money.
- Carl Icahn was closely involved in a number of hostile takeovers. The popular press invariably portrayed him in an unfavorable light, suggesting he was too greedy. Icahn responded by saying that if he really wanted a friend on Wall Street, he'd get a dog.
- When Warren Buffet acquired a newspaper, the editorial staff threatened to strike unless he would agree to share profits with them. Buffet replied nothing they did could affect profits, and they should return to work or he would shut the newspaper down.
- John Rockefeller Sr. was often portrayed by the media of his day as a predatory businessman who sucked the life blood out of any business he was involved in. As a result, he received a number of death threats.