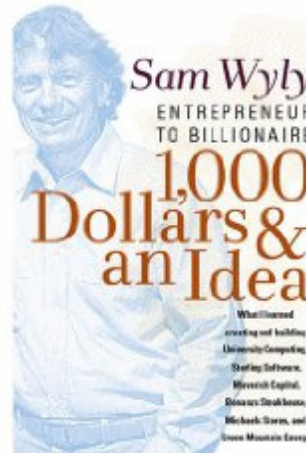


1,000 Dollars and An Idea

Sam Wyly: Entrepreneur to Billionaire



Author: Sam Wyly
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About the Author:

Sam Wyly, a self-made billionaire of Scottish and Irish descent, has been a working entrepreneur for nearly half a century. He has founded and/or grown successful companies in, among other industries, online computing, computer software products, oil refining, hedge fund investing, environmentally friendly electricity and Internet carbon offsets.

Sam and his wife, Cheryl, are generous contributors to countless philanthropic organizations, including the Dallas Center for the Performing Arts and the Aspen-Pitkin County Animal Shelter. Sam has also endowed alma maters Louisiana Tech and the University of Michigan Business School. Sam and Cheryl recently purchased Explore Booksellers and Bistro in Aspen, Colorado.

<http://www.1000dollarsandanidea.com/>

■ The Big Idea

"My work is to create companies and build them," writes Sam Wyly in this candid and engrossing account of the process, relationships, struggles, and strategies in technology, energy, retail, and investments over the last forty-five years that have made him one of the 1,000 wealthiest people in the world.

From the hardships his parents faced trying to hold on to the family cotton farm during the Depression to the coaching he received on the high school football field, this self-made billionaire describes how his early years in Louisiana prepared him for what lay ahead. His sales experience with IBM and Honeywell in Dallas in the early 1960s gave him the idea to start the first "computer utility." Risking \$1,000 of his savings, he founded University Computing in 1963 and took it public two years later, becoming a millionaire at the age of thirty.

Later business successes included taking on the mammoth AT&T monopoly, expanding the small chains of Michaels Stores and Bonanza Steakhouses to over a thousand locations nationwide, co-founding the Maverick Capital and Ranger Capital hedge funds, and founding Green Mountain Energy, the largest provider of cleaner energy in America today.

■ Why You Need This Book

Part autobiography and part inspirational business guide, "1,000 Dollars and an Idea" is full of refreshing insights and homespun life lessons about what it takes to create, grow, and build successful companies that can challenge the world's best.

■ Beat Tallulah

Business is a lot like football.

And although football's certainly no prerequisite for success such that every entrepreneur should have played football in high school or college or even just in some sandlot league, had Sam not played in high school, his outlook on entrepreneurship would be very different.

Football taught him about setting goals, coping with fear, using leverage, maximizing assets, and understanding weaknesses. It also taught him about losing – you can't learn how to win.

Setting a goal and then going after it is difficult for some people. You begin by defining what you want. But to decide that, you have to know who you are. If you don't know who you are, becoming an entrepreneur can be a very expensive (and humbling) way of finding out.

Next, a goal needs to be realistic. Many people yearn for the pot of gold at the end of the rainbow but have no idea how to find the rainbow in the first place. Or they aren't willing to put in the time looking for one, or don't have the courage to walk all the way to the end of it.

Over the years, Sam discovered that whatever someone's ultimate goal might be, the easiest way to get there is to map out a course with smaller goals along the way. You find one small thing you can do, and you keep on doing it. Little victories add up.

Great teams do not always win, but without a great team – without synergy and oneness – winning becomes that much tougher. Being a lone gunslinger in team sports or in business will only get you so far. In both fields of endeavor, you need a team playing together and, at the same time, a structure that allows for each player on that team to flourish in his own unique way. Each member of the team has to be empowered with the responsibility and authority to do the job that needs to be done.

That's the game. It's that way in football. It's that way in business. It's that way in life.

■ Big Blue

In Sam's mind, early on in his career, becoming an IBM sales rep someday was as close to achieving the American dream as anyone could get. IBM was the best of the best, and joining and becoming the best was a challenge that appealed to him immensely.

He sat down for an interview with two IBM branch managers and it went well enough that he received an offer to join the company upon graduation.

1,000 Dollars and an Idea **By Sam Wyly**

But a dilemma was posed to him when Louisiana Tech offered him a new scholarship for an MBA. He knew that getting a master's meant not going to work for IBM.

Some people have always known what they wanted to be – like Sam's mother becoming a dancer or his father becoming a journalist – but he was never that way. He was open to opportunities and took a swing at the best ones. And even though IBM was developing computers and the talk was that computers were going to become one of the most important tools for the twentieth century, it occurred to him that by earning a Michigan MBA, there might be something better out there waiting for him.

Some people say that life is not about what you know but who you know. He figured that because you never know who knows whom, it always pays to ask. Who you know can get you an audience. What you know and what you make of that audience is strictly up to you.

■ Reach for a Star, Not a Handful of Mud

Fast forward to some years later. Once his career had gotten off and running, Sam began to feel really good about the way things were going. Before long, his five-man office in Dallas was outselling Honeywell's bigger offices, where they had thirty people. And he was making \$30,000, triple his IBM earnings. Honeywell was a thermostat company that had gotten into the computer business. In the computer market there was IBM and then there was everybody else. Fortune magazine described the market as IBM and the Seven Dwarfs. Honeywell was one of the dwarfs.

By 1962 Sam had a two-story house on a tree-lined street in a good school district and two cars. What else did he need? He certainly didn't need to start a new business just to have more income. He was fine the way he was. Except that he wasn't. He was getting restless again.

His restlessness was forcing him to face up to this single truth: He was not at heart a big-company man. He didn't want to be under anyone else's authority. He wanted to call the shots for himself.

By allowing himself a few moments of quiet reflection in his busy work schedule, he gave himself the mental space to realize what was most important to him. He wanted to be captain of his own boat. He didn't need to make all the money he'd been bringing in from Honeywell, but he wanted independence.

Those formative years at IBM and Honeywell were extremely important for him and for the career he was about to start building as an entrepreneur, and of course he would always be grateful to IBM and to Honeywell for the experiences and the opportunities they gave him.

That said, an entrepreneur always knows when to move on. And that time had come for Sam – he knew it was high time to start something of his own instead of continuing to work for someone else.

■ **The Birth of a Company**

Starting a business from scratch exemplifies the saying “real boats rock” – the entire procedure will most probably be a bumpy one. But you can’t let this get you down. Sure, everyone feels discouraged when progress grinds to a halt, but you can’t let frustration take over and control you. Rational problem solving is essential to company building.

Building successful economic models may very well be hard, but that’s part and parcel of the game. More often than not, if it’s too easy, someone else has done it already and has already made his mark, leaving new entrants to play catch-up. So if you’re going to start something of your own, you have to expect obstacles and be prepared to face them – and keep in mind that it can be quite a grind.

If you let frustration take control, you’re going to give up early and your precious infant idea won’t mature. When you’re knocked down, don’t give up, get up. If you can’t be creative, disciplined, persistent, and rationally optimistic in the face of repeated failure, you need to consider a different line of work.

Everybody faces frustration, obstacles, and failure differently, so there is no single correct approach to deal with them. What works for Sam is to stop, step back, take a deep breath, and seek to get to the most spiritual perspective, in order to think about where you are and what you are trying to achieve and to try to see the problem from all sides.

It’s funny, but when you take the time to let the well fill up like that, you sometimes discover there’s a solution that’s actually better than your original idea.

■ **Multinational Entrepreneur**

Creating an environment to attract and hold able people was the easy part. The hard part was learning how to be a good manager.

Right after they started, when Sam was spending a lot of time setting up in Tulsa, he could not figure out why some employees were not doing what he wanted them to do.

Then it hit him that he had never told them exactly what he wanted them to do. He was just expecting them to know what was expected of them, as if they could read his mind. So he had to find ways to set goals with two-way feedback.

To get the best out of people who have the front-line responsibility for making the business work day to day, you need to be confident in their abilities. Moreover, you need to show them that you are confident, knowing what’s going on but not meddling in their jobs or micro-managing them.

You hold managers responsible for results, as opposed to trying to control how they get those results, and then you reward them for their successes. You give them a chance to create wealth for themselves and for other investors while making the company a good place to work for everyone.

The best work comes from highly motivated, richly rewarded, happy-to-come-in-every-morning people.

■ Sterling Software

Sam was very straightforward about how he saw this company developing and how he wanted things to go. They were betting their venture money in order to get them to the point where they could raise capital in public or private markets and make this enterprise work mostly with other people's money. They were not just looking for ways to passively invest but for ways to capitalize and grow the business so that Sam wouldn't have to keep putting in new cash forever.

Some entrepreneurs are able to get by with only their own money; by doing so they get much richer than if they share the equity. But most entrepreneurs who use only their own money end up sitting around broke, reading books about other entrepreneurs who understand how to create companies at least partly with other people's money.

When you start with a blank slate, the first thing you need to be is somebody who can create a customer. When Sam and his people started out with University Computing, he knew that he had to sell something. Then he had to get the capital to fund it. He went through a chicken-and-egg process. He had to make about six different things happen, all at the same time.

Starting with Sterling Software was different. Sam and company had the idea and knew that the customers were out there, and they had enough capital to make it happen. To get it going he had the advantage of choosing people he already knew and had worked with before.

Surrounding yourself with people you already know and trust can give you a massive head start. They know how you work and you know how they work. In some cases you can even finish each other's sentences. So you hit the ground running if you can work with people you've worked with previously.

Take note, however, that while it is important in any company that everyone expresses his or her own ideas, having a partner who constantly disagrees with you doesn't necessarily create good checks and balances. It means you often double-check what may not need to be checked. While you are avoiding doing something bad, you may never do anything good.

That's said, it's far too easy to surround yourself with people who will tell you only what you want to hear. Company people need to be comfortable with being honest, with telling you the truth as they see it. Even if you think they're wrong, you need to know. You need to be a simple seeker of truth.

Enabling people to do good work and giving them the freedom to make their own decisions is the best way to run a company. Pick the right people, get in agreement on company goals, pay them well, give them a shot at doing very well, then get out of the way.

They start with trust. Everyone needs openness and information and verification in an enterprise, just as in a marriage. People at all levels need to know they're dealing with integrity. Integrity is the single most important quality in a boss. If a boss is not honest, people know it very soon. And they won't be comfortable.

President Franklin Roosevelt said, "The way to make a man trustworthy is to trust him."

One more thing you need to be successful in any enterprise is good managers at all levels, whether you go through mergers and acquisitions or not. You can't have the attitude in acquisitions that you are the buyer and your job is to fire those people you just bought. You've

got to find the best talent that you can, wherever you find it. That means that some of your best people will be found in the companies you're acquiring.

In order to grow a business by acquisition, you need to do several things.

First, you need to integrate quickly and smoothly.

Second, you need to find a way to keep your new employees as passionate about their work as they were before you acquired their company.

Third, you need to clarify your vision, which is central to the first and second things.

■ **Maverick Investor**

Sam has gone through four phases in his investment life.

First, he was a Saturday-morning investor. There are a whole bunch of information services and stock newsletters that will send you a ninety-day free trial, so he signed up for loads of them – because being a good reader makes you a better investor – and he read everything he could before deciding what to buy to build his portfolio.

Next, as he entrepreneured new businesses and diversified his portfolio, he became what he calls an active investor-owner in several companies, including Sterling, Bonanza, and Michaels.

Thirdly, there was a sort of mutual fund that Wall Street came up with called "closed-end investment funds," which focused on a particular country's stocks. Shares in these funds are bought and sold in public markets at whatever price a willing buyer would pay.

Last was "the work." Sam got himself deeply involved with the actual action in an investor's life and his motivation to always keep up with it was unceasing. He wanted to know where the work was being done, when it moved, and what replaced it. And thus he came to be known as the investor with the maverick spirit.

■ **The Good Earth**

We are killing the earth with friendly fire. It has only been a few generations since we humans moved beyond the basic struggle for survival, but the cost of winning that fight has been huge. We have used the earth's coal and oil in such gargantuan quantities that the last three generations have now consumed more of those precious resources than all the generations that came before us.

The warning signs are clear. We need to understand what we have done and, more important, radically change what we are doing. We face serious questions that need to be answered now, and Sam believes entrepreneurs are the right people to wrestle with one question in particular:

How do we go forward in a manner that not only creates value for ourselves and our stakeholders but is also mindful of the threat to the earth and its inhabitants?

1,000 Dollars and an Idea By Sam Wyly

That's one of the reasons Sam created BeGreenNow.com.

Through this innovative Web site, anyone, anywhere in the world can become "carbon-neutral," by buying renewable energy credits from them. BeGreenNow.com helps consumers anywhere –

not just in deregulated electricity markets – to calculate their carbon footprint and buy carbon offsets so that any individual or any business can reduce their impact on global warming in a convenient, flexible, and innovative way. Those credits go to fund capital investment that clean up dirty coal plants and other sources of greenhouse gases that cause global warming.

It's clear that the Web can democratize us, educate us, and help bust up monopolies. Utility lobbyists and their bought-and-paid-for state senators prevented them from bringing Green Mountain and clean electricity to all fifty states. But with BeGreenNow.com Sam and company have found a way to marry Adam Smith to Rachel Carson, and bring the entire planet to clean energy.

So here's Sam's question to everyone running a business, aimed at entrepreneurs and budding entrepreneurs alike: What does it take to be a great company in this day and age?

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