

A Berkshire Hathaway Road Trip

The Wisdom of Warren Buffett (86) and Charlie Munger (93)

Each year, thousands of devoted business people converge on the city of Omaha, Nebraska to sit at the feet of two elderly gentlemen, who munch peanut brittle, drink multiple cans of Coke, and answer questions posed by journalists, stock analysts, and shareholders.

This year was my first Berkshire Hathaway Shareholder Meeting, and it was a fascinating circus of incongruities – Wall Street suits, elderly Europeans in wrinkled linen jackets, Asian business students, Indian families with small children, and retirees in shorts and sandals. Once the doors opened, everyone ran down hallways and up escalators to find seats. Though they seemed like they were running from a fire, they were actually running towards one.

Our band of eight devotees was comprised of Twin Cities business icons: **Dr. J. Kevin**



by: **Peter Bailey**
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Croston, CEO of North Memorial Health Clinics and Hospitals; **Anton Vincent**, Entrepreneur and Former President, Snacks Division at General Mills; **Michael Happe**, President and CEO of Winnebago Industries; **Mike Felmlee**; **Jeff Prouty**; and two college students **Brady Happe** (student at Creighton University) and **Jackson Bailey** (student at Carthage College).

What ensued was a series of questions and responses with the “Oracles of Omaha,” prognosticators of economic performance, their prescience due to their combined years of experience, both of success and failure. They were humble. They were funny. They were wise. And they were very human.

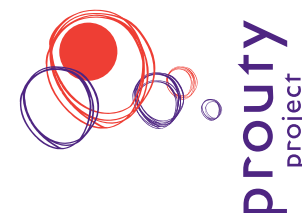
We each took notes, capturing wisdom from our brief time in “Berkyville:”

- “We didn’t buy companies thinking they would never have problems. We evaluate market position, management execution, and the durable opportunities that they present.”
- “Every business is a castle and because every competitor wants their castle you have to build a moat.”
- “Two rules of fishing: 1) Fish where the fish are and 2) Remember the first rule.”
- “Two things nobody should watch: 1) Making sausage and 2) Making legislation.”
- “Don’t try to be brilliant, try to be rational.”
- “We missed Amazon, we missed Google.”
- “We underestimated the brilliance of Jeff Bezos’ ability to execute.”
- “Look for board members of publicly-traded companies who buy shares of the company with their own money.”
- “I (Buffett) send out a memo every two years or so that reminds all company leaders: We have all the money we need, we want more, but we are fine. We have our reputation. In other words, don’t do illegal things for financial gain. We don’t need it and we don’t do it.”
- “We practice hands off to the point just shy of abdication.”
- “Life needs to be planned backward even though it needs to be lived forward.”

It was a day-long conversation about commerce, business practices, and about life and the living of it. They are simple men, doing a simple job – building businesses with character. Today is another day. Warren Buffett will visit the McDonald’s drive-through for breakfast and if the markets are doing well, he just might spend the extra \$3.17 and get the sausage, egg, and cheese McMuffin.

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STRETCH
EXPEDITION
2018 –
CAMBODIA

JOIN US! 2018 STRETCH EXPEDITION: CAMBODIA
Informational meeting to be held **Thursday, August 10 at 6:00 p.m.** at our offices in Eden Prairie. For more information or to RSVP for the informational meeting contact Jayna Wallace at jayna.wallace@proutyproject.com or call 952.942.2922

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Your True North?

A lot has been written about “finding your true north,” “identifying your north star,” as a guide in charting your direction in life and business.

In this issue of our newsletter, we’re excited to share the “true north” thoughts of three CEOs with whom we’ve worked. We think you’ll enjoy and be stretched by their perspectives on CEO-ship.

As this newsletter is hitting your mailboxes, our “team of 18” is just returning from Stretch Expedition 2017, **Norway**. I’m writing this column before leaving for Norway, so I’m curious how I’ll be stretched (mentally, physically, spiritually, emotionally) during the ten days of high-adventure backpacking, kayaking, and lots of sunlight. I’m told the day we arrive (summer solstice), the sun will set about 11 p.m. and rise about 4 a.m. Hmmm?

We’re also excited to announce **Stretch Expedition 2018, Cambodia**. February/March 2018. This will be a service-focused Stretch. **Join us for an informational meeting Thursday, August 10 at 6:00 p.m. at our offices in Eden Prairie. To RSVP**

contact Jayna Wallace at jayna.wallace@proutyproject.com or call 952.942.2922. We sure hope you can join us.

And, in the spirit of “true north,” we’re exploring a visit to the **North Pole** as a part of Stretch Expedition 2019. Tentatively, July 2019. This will be the 20th anniversary of our annual Stretch Expeditions, so we think it’s a good year to do something “even further off the beaten path.” Stay tuned.

Have a restful, rejuvenating, reflective 4th of July weekend, followed by a record-setting third quarter.

Keep putting the stretch in your strategy as you pursue your “**true north**,”

Jeff Prouty
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Jeff Prouty

“C” NOTE QUOTE:

“The most important thing is, do you have the courage to admit that you’re wrong? And do you change? The most important thing to me as a CEO is that we keep the courage.”

Know the quote?

If you know who said this quote, please send an email to: melissa.gennert@proutyproject.com or call 952.942.2922 by **Tuesday, August 1**; one guess per person. If we have more than one correct answer, we throw those names into a hat and draw the winner of a \$100 gift card.

Last issue’s “C” Note Quote winner is...

Laura Page, The Iowa Clinic

Laura knew that Richard Branson, said the following: “To me, business isn’t about wearing suits or pleasing stockholders. It’s about being true to yourself, your ideas, and focusing on the essentials.”

Congratulations, Laura!

Laura says, “I am planning to use the gift card to give to my niece who is graduating from college this year to be a physical therapist.”



Laura Page



Michael Happe

PRESIDENT AND CEO,
WINNEBAGO INDUSTRIES, INC.

Michael Happe's remarkable performance record and customer focused operating style made him the perfect choice when Winnebago Industries Board of Directors unanimously agreed in January of 2016 to name him President and CEO. With this recent appointment, he's looking forward to transforming Winnebago for a successful future.

How does a new CEO get off to a great start?

Engage key stakeholders (internally and externally) immediately. Ask open-ended questions and listen carefully, seeking to understand both the important and the urgent. Demonstrate a willingness to learn the business from the inside-out.

What are the most important challenges CEOs face these days?

- Talent wins. Building the right team may take time but will pay off exponentially in the future. Don't settle.
- Balancing the commitment to make the right long-term decisions, with the pressure to deliver consistent results in the short-term. This is especially relevant in public companies.
- Identifying new avenues to drive profitable growth in a lumbering U.S. economy.
- Recognizing, mitigating, and embracing "risk," which shouldn't always be viewed as a negative word. Threading the needle on this topic keeps a successful business ahead of their competition and prepared for the unexpected turns that inevitably happen.

What's something that people aren't aware of that's critical to a CEO's success?

Creating enough quiet time on the calendar to simply slow down, reflect, and think. CEO's often succumb to the pressure of engaging too much, and thus overcommit their time. Being busy doesn't always equate to being productive. Finding time to truly ponder the future and your company's strategic options is extremely important.

To the future CEO, what are 1-2 key traits business leaders of tomorrow need now?

From a leadership standpoint, it would be humility, authenticity, and curiosity. Developing and demonstrating all three of these traits usually leads to quick connections with employees and customers, and ensures that good ideas get surfaced through a variety of sources. Build the network today that you will leverage tomorrow.

How would you like to be remembered at your company?

As a servant-leader who put the needs of the organization and our customers first, built a winning, empowered team, and ensured the company gave back to the communities our employees lived and worked in. The ultimate compliment would be to have the next generation of leadership ready to take the torch and then deliver even stronger results.

Deidre Schmidt

PRESIDENT AND CEO,
COMMONBOND COMMUNITIES



Deidre Schmidt's talented background and passion for CommonBond Communities made her the perfect choice as CEO of the Upper Midwest's largest nonprofit house developer and manager. Named CEO in 2014, she has her sights set on growth by serving communities in the most responsive and respectful way possible.

How does a new CEO get off to a great start?

I had a great onboarding at CommonBond. I received copious information to review in advance of my first day, that way I could spend my early time with staff asking informed, high-level questions and getting to know them as people. I also requested that our CFO prepare a five-year lookback on financial performance which we reviewed in a group with top leaders in the organization. These discussions focused on the backstory behind the numbers. It was very illuminating.

What are the most important challenges CEOs face these days?

CEOs in all sectors share some challenges in common; anticipating changes under the new administration, attracting the best talent in a tightening labor market, covering the rising costs of doing business (particularly health insurance costs), and finding capital. Non-profit CEOs have a few unique challenges these days, particularly, providing evidence of the impact of our services. It is difficult to capture the subjective and intangible in a way that satisfies an increasing desire for data on the part of funders while also respecting the privacy and dignity of those we serve.

What's something that people aren't aware of that's critical to a CEO's success?

As CEO you have to be willing to make decisions that even you don't agree with 100%. Clear-cut decisions get made by others, the ones without a good answer come to the CEO. You have to be decisive when there is a lot of evidence against all the possible choices. At that point, it is not your job to make the "right" choice, it is about moving forward with confidence in spite of the fact that it could be the "wrong" choice in some way. More important still, is anticipating and managing to the downside of the decision and bringing your team and stakeholders along with you.

To the future CEO, what are 1-2 key traits business leaders of tomorrow need now?

- Risk tolerance. I've done some things in my career that others labeled as risky, but that I knew were consistent with my own values and rooted in my strengths. Taking risk is how we learn and develop confidence.
- Embrace and manage change. Fixity is an illusion, everything is in a constant state of flux whether it shows up as a ripple or a tsunami wave. A future leader needs to develop their "sea legs;" adapting to change while keeping their eyes on the horizon.

How would you like to be remembered at your company?

I would hope that my personal values of respect and responsibility shine through to anyone who remembers me in any context, personal or professional. Respect is about recognizing every single person's intrinsic value and potential for contribution. Responsibility is about using your own talents and advantages to achieve something for others.

“Taking risk is how we learn and develop confidence.”

—Deidre Schmidt

Dan Johnson

CEO, MORTENSON



Dan Johnson has built a legacy at Mortenson starting his career there in 1986. Recently named CEO, he is thought to be a talented team leader and strong strategic thinker who will drive Mortenson into a successful future.

How does a new CEO get off to a great start?

I believe any CEO, especially a new one, needs to first connect with company employees (in our company, we refer to them as team members). Following Tom Gunkel's (our former CEO and my mentor for 30 years) retirement announcement last fall, I visited each of our company offices and many of our project sites to connect personally with our team members. I met with the leadership teams of each of our operating groups to discuss the transition and answer questions they had on that topic or any other company topic.

Since the official transition on January 1, I have repeated the same loop through the company as part of our annual meeting process, conducting meetings with all team members from every operating and business service group. It will continue to be a priority of mine to stay connected to our team members as we move forward. I'm very fortunate to have been with Mortenson my entire 31-year career so I know our leaders and most of our team members. However, it is still vitally important to me to make this connection regularly to help instill confidence that Mortenson has the right leadership in place to guide the company to a prosperous future.

What are the most important challenges CEOs face these days?

I view the organizational chart as being upside down. So rather than being on top of the organization, the CEO is on the bottom. At Mortenson, the people on the top are those in the field who build our projects and provide service to our customers every single day. They are the ones that add value for our customers. My job is to support them with the best strategy, culture, resources, tools, technology, and training to make them the most productive and effective they can be.

The other job of the CEO is to constantly be looking ahead. Almost everyone else in the organization has a full-time job that requires them to focus on the task at hand. Only a small group of leaders has the capacity and time to be scanning the horizon. As CEO, I need to take the lead on that. I don't think CEOs can predict the future and it is dangerous to assume so, but what they can do is set up their company to be adaptive and agile for whatever the future may bring. These are rapidly changing times and the pace of change continues to accelerate. The challenge today is to remain prepared for the next change in the future.

“These are rapidly changing times and the pace of change continues to accelerate.”

—Dan Johnson

What's something that people aren't aware of that's critical to a CEO's success?

Given my brief time as a CEO, I'm not sure I'm the best person to answer this question. But I will offer an opinion based on my opportunities to work with two terrific CEOs: My predecessor, Tom Gunkel and our patriarch, Mort Mortenson. They both have an incredible ability to connect with people and show that they genuinely care about them and their situation, challenges, and needs. This is especially critical for our team members, but it also applies to our customers, business partners, and our stakeholders in our communities. Some CEOs have big personalities or are seen as larger than life. However, it's been my experience that the ones who listen, learn, and inspire are the ones that have the longest-term success.

To the future CEO, what are 1-2 key traits business leaders of tomorrow need now?

Learn how to assemble, empower, and inspire teams to do great things. Surround yourself with leaders who are better and different than you – people that you might work for one day.

How would you like to be remembered at your company?

Simply, I would like to be remembered as someone who developed great talent, was a good steward of the business, and left the company in better shape than when I was given the opportunity to be its CEO.