



Sheldon Yellen

EDITORS' NOTE Sheldon Yellen has built himself a robust reputation for his unconventional management style. He received national acclaim for his compassionate style when he was featured in CBS' hit series *Undercover Boss*. Widely recognized as a preeminent figure in the property restoration industry, Yellen has developed an influential following of decision makers.

COMPANY BRIEF BELFOR Property Restoration (belfor.com/en/us) is the worldwide leader in disaster recovery and property restoration services. With more than 120 full-service offices in the U.S., the company is geographically positioned to respond to almost any disaster – large or small – coast to coast. A proven track record of superior response and unmatched resources has made BELFOR the contractor of choice for damages caused by fire, water, wind, and other catastrophes. BELFOR USA Group is a privately owned subsidiary of BELFOR Holdings, Inc. and operates under the brand name of BELFOR Property Restoration.

Will you talk about the history of BELFOR and how it has evolved?

My father-in-law, Sam, came back to the U.S. after World War II and started an awning company with two partners. In 1981, Sam was on a job site when a guy came up to him and asked if he could give him a quote to fix his porch. It had been damaged but was covered by insurance. Sam said he didn't do masonry work but later ran into a brick mason who gave him a price to fix the porch. Sam then gave the provided quote to the adjuster, and the adjuster asked, "where do I send the check?"

That was the company's first insurance repair job. Sam retired in 1984, as did his partners. At that time, the company was still an awning company that did some insurance repair work on the side.

The partners left the business to their three sons. I joined the company a year after that, in 1985. They were doing around \$6 million in

The American Dream

An Interview with Sheldon Yellen, Chief Executive Officer, BELFOR Property Restoration (BELFOR)

business – about \$2 million was still in awnings and \$4 million was insurance restoration work, which at the time was an unsophisticated space. Today, the space has legitimized because of what we've accomplished over the past 30 years along with the insurance companies.

When I joined the company, my two brothers-in-law were running it. All the employees at the office thought I got the job only because I was married to their sister. At first, no one really helped me or even spoke to me. I wanted to do something to gain credibility so I decided to be the first one in the office each day and the last one out. It's very much reflective of how I was raised and the experiences I had growing up.

Speaking of my background, my mom raised four boys alone on welfare in Detroit. Not many people experience the street life I did. I have been working since I was 11, and at 14, I started working seven days a week, which I still do to this day. My mom's house was on the verge of being repossessed by the government for non-payment of taxes so, my last year of high school, I dropped out and went to work. Detroit was not a good place to be in the 1970s. I have even been shot at but, thankfully, I survived.

I managed to get a job at an exclusive men's health club in the suburbs, which gave me access to affluent people. When I was the towel boy and shining shoes for these exclusive members, I noticed how they walked and talked, and how they treated each other. I also noticed there was a level of respect and recognized that was something I should learn from.

My brother, who also worked there, and I became known as the kids at the club and we would get tips for doing small errands for members. This gave me exposure to an affluent lifestyle I hadn't known previously. I became enthralled with that way of life – I studied it.

I had many of my own deals going throughout my early 20s, but when I got married in 1984, my brother-in-law invited me into the business. I wasn't sure at first – I had four or five different businesses going at the same time – but he convinced me saying, "Sheldon, we need your personality!"

I started selling and, after my first year and a half, I wound up selling almost as much as the entire company had been doing before, so I gained a lot of respect in our family business and in our industry. Our blue-collar employees realized they were getting a lot of overtime

revenue because of me, and that put me in good standing with them. Our employees started to warm up to me and see me as less of a "charity case."

I also started the tradition of handwriting birthday cards to everyone who worked for us because I figured if I wrote someone a card, they'd have to come to my office to thank me and that would start a dialogue. They did. Thirty years later, I still write the cards – and it still works.

In 1989, when Hurricane Hugo hit Charleston, South Carolina, my brother-in-law sent me and another brother-in-law down to Charleston to get work. We were unsure if people would trust us. Why would people in South Carolina, in their worst moment, sign with a company from Detroit? But after three weeks, we were fortunate enough to get a few clients. At the time, the company was doing \$15 million a year and in those three weeks, I ended up signing up \$17 million in work in Charleston.

Although successful, it also put a lot of pressure on us financially to grow that fast, because we had to finance it all. I had to balance paying the vendors and our payroll with the money we had out there in receivables. My brothers-in-law would call me in South Carolina and tell me I was going to bankrupt the company.

With all the business I had brought in, I was told I would have to see it through by staying in Charleston, so I had to bring my pregnant wife there to live with me. The whole island had been wiped out by Hugo. We rebuilt nine of the 11 condominium complexes on the island and my second son was born in Charleston.

After 18 months, we came back to Detroit and then Hurricane Andrew hit Florida in 1992. Again, I went down and lived there for a year and a half with my family – signing up work and seeing it through. During that time, I came back to Detroit and continued to build my book of business locally.

We completed our first acquisition of Mr. Rupert of South Carolina in 1991, after Hurricane Hugo. One of the amazing parts of our story is that many of those who joined us through this acquisition, including Mr. Rupert himself, are still on our payroll today. When we went to Florida in 1992 following Hurricane Andrew, we acquired Mr. Neuman, who is also still on our payroll today.

Through a series of acquisitions, we continued to grow our footprint nationally. Each step along the way, we were lucky enough to bring great people into our family. After Hurricane Andrew, I was able to become a partner and bought into the business. We kept growing our footprint in North America and through an unconventional series of acquisitions, have grown BELFOR into the global leader it is today.

In 1997, we sold a quarter of our business to Masco Corporation. In 1999, we were still growing and were going to do a transaction with a German holding company. At the last minute, the CEO of Masco asked us not to sell to them but to sell the rest of our business to him. We sold him the balance of our business and we all became employees again.

In 2001, as I was getting ready to go overseas to start opening offices, an opportunity came about with BELFOR, which was owned by a German family. The president of BELFOR had been instructed by the board to come to North America and buy the largest insurance repair contractor there so it could have a worldwide presence.

By that time, we were achieving about 14 percent growth per year and truly becoming the market leader. We went to the CEO of Masco and asked him about selling us to BELFOR. It had a European and Asian presence and we had the North American and Canadian presence. Together, we would have a worldwide footprint.

He didn't want to sell us, but because we really wanted it, he agreed, which was really nice of him. He didn't want to get directly involved in it, so we wound up handling the majority of the deal. We were trusted by all the parties and we closed that deal in 2001.

By that point, we were a family business that was now global. We had been sold twice. However, our people were worried about their job security. I spent a lot of time meeting with employees and assuring them that I was staying on board to continue things.

All of my brothers-in-law retired at that point, but I stayed on. I had given my word. The integration was a difficult transition but North America continued to grow. The European and Asian operations were getting lower margins than us, so my new boss started having me come to the board meetings in Germany to discuss what we were doing that was so successful.

At that point, we were about a \$260-million-a-year firm in North America. Overseas, they were doing 120 million Euros. The BELFOR board started asking more questions.

The gap continued to widen and the board in Germany eventually decided they were uncomfortable. They came to Michigan and wanted my support in packaging the company and selling it. I had devoted seven days a week of my entire career to this business and to our people. I'm very proud of our culture, which is very unique. We are lucky to be surrounded by what I call 7,400 of the greatest people on earth.

When the board said they wanted to sell us, I was very upset. I was lucky enough to be leading this company at a \$300-million level and I had just gotten used to a new boss – and he to me. Now, I was going to have to do it all over again.

They said they could not sell the business without me and BELFOR needed me to put together the memorandum with the London investment banking firm, so I had to lead it. I begged them not to sell us, but I put together the memorandum anyway and started the road show. Private equity firms started contacting us directly.

I was explaining the business to these private equity firms and they all told us it looked good, but I could tell they didn't truly understand what we did or our culture. After all, people don't realize how hard it is to do what we do. If there is a fire in someone's house, it's hard to approach someone who doesn't know you and ask to be trusted enough to rebuild their home. Then, if we're lucky enough to get their business, we often end up doing the work while they're living there and they aren't always

happy about it. We're also doing this in conjunction with insurance companies, which adds additional dialogue to the restoration process.

International growth continued in Europe and Canada and our geographic footprint expanded. In the United States, we faced national catastrophes, such as Hurricane Katrina.

Although he was nearly 8,000 miles away, Bernd Elsner, the President of BELFOR, opened his heart to me and I opened mine to him. Had we not developed the great trusting and respectful relationship we did, while I was operating North America and he was operating Europe and Asia, then he and I could never have come together in 2006 to put together the buyout that we did.

We stood on separate sides of the Atlantic Ocean but agreed that the BELFOR family must stay together – it's the heart that beats around the world. The remaining three-quarters of the company sold its shares to the newly established BELFOR Holdings, Inc. of Birmingham, Michigan. The present managing directors of the European and North American operations became the new shareholders of BELFOR.

We made our commitment through a pinky shake and it has stood the test of time. Without his support and the relationship we have, this company would not be the worldwide leader it is today. To this day, Mr. Elsner and I remain the closest of friends and share the utmost trust as we continue to grow this business worldwide.

We have owned 100 percent of the company since 2007. I have never stopped writing the birthday cards, through 82 acquisitions in North America and 16 acquisitions overseas. We're up to 7,400 birthday cards a year, and the numbers keep growing.

We do \$1.5 billion a year in business, we're multiple times larger than our next closest competitor, and we are the worldwide leader in our space. Our biggest competitive advantage, above and beyond, is our "people culture" – that simply can't be beat.

We're on-call 24/7, 365 days a year all over the world. We restored historic landmarks at Ellis Island after Hurricane Sandy and have even done work for the government. We've handled major issues for cruise ships and we've been called in after plane crashes. We continue to grow in every sector.

We say that we restore more than property, because when we show up, we're the first sign of hope at a terrible time in people's lives. We have longtime clients who have become friends and have stuck with us for the entire 32 years of my career. Over the years, people have asked me how I got to be where I am today. I tell them I got here with humility and a little bit of luck along the way. It could have happened to anyone; I just so happened to be in the right places at the right time. Today, I am fortunate enough to know that I am "living the American Dream" from growing up poor in the streets of Detroit to overseeing this incredible company and giving back every day in the communities where we work, sleep, and dream.

Overall, we're just a quiet company that no one wants to do business with because that means they've suffered some sort of devastating property loss. In actuality, when those bad things happen, they need us and we are honored and humbled to be there for them. ●

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