

Sam Zell

EDITORS' NOTE Sam Zell is a global, opportunistic and often contrarian investor. He specializes in identifying market anomalies and emerging trends and has a long track record in turning around troubled companies and assets, leading industry consolidations, and bringing companies to the public markets. Much of his investment portfolio is in energy, logistics, transportation, manufacturing, communications, and healthcare, but he is often best known for his pioneering role and stewardship in creating the modern commercial real estate industry. Zell is the Chairman of Equity Group Investments, his private investment firm. He chairs five companies listed on the NYSE and also chairs Equity International, a private equity firm he founded to focus on opportunities outside of the U.S. Zell is recognized for his advocacy of corporate governance, particularly in real estate and in the emerging markets. He is an active philanthropist with a focus on entrepreneurial education. He holds a J.D. and a B.A. from the University of Michigan. He began his career in real estate while still an undergraduate. Zell's first book is called, *Am I Being Too Subtle?*

COMPANY BRIEF Equity Group Investments (egzell.com; EGI) is a private investment company. Its founder, Sam Zell, pioneered the public equitization of the commercial real estate industry through the creation and leadership of Equity Residential, Equity LifeStyle Properties, and Equity Office Properties Trust. EGI's investment portfolio encompasses a broad range of corporate and real estate interests, a small sampling of which includes Anixter International, Covanta Holding Corporation, Ardent Health Services, Exterran Corporation, Kuwait Energy Company, and Par Pacific.

What made you feel it was the right time to write your book, *Am I Being Too Subtle?*

My hair is getting gray, and it's something I've thought about doing for years. This book is a vehicle to share my lessons learned with future generations, particularly with my children

Defining Leadership

An Interview with Sam Zell,
Chairman, Equity Group Investments

and grandchildren. I didn't want to write an autobiography though; what I really wanted to write was a series of principles or fundamentals learned as exemplified by stories, and that's what I accomplished.

Was your focus more on reaching the next generation of business leaders?

I do about 40 speeches a year, and about half of them are at college campuses. At every one, a student will stand up and say, "You were really lucky; there was a lot of opportunity back then. But where are the opportunities for me now?" The real truth, of course, is that the opportunity is always there for people who are appropriately motivated. Conveying that is the goal of my book.

How does one get to that appropriate level of motivation?

What is the definition of "appropriate"? Any time I have ever interviewed anybody for a job, the first question I ask them is, "Are you hungry?"

Working in my world is not like designing engines or developing biotech. You need a certain intellectual quotient, but you don't need to be a rocket scientist. You just need motivation, drive, energy, and aspiration. Those are the qualities that make the difference, and that's what I conveyed in the book.

Much of your success has come from understanding timing but also from measuring risk. Is that something you learn or is it an instinct?

It starts with being scared. I don't think you can ever understand risk unless it's a threat. If it's an abstract concept, then it becomes an esoteric academic endeavor as opposed to reality.

Second, as Bernard Baruch said, no one ever went broke taking a profit. I never spend too much time thinking about how good a deal's going to get. The real issue is, how bad it can get – and understanding that no one in the history of the world has ever made a correct projection. Every projection made and decision made based on that projection is, by definition, going to go wrong. It's only a question of how wrong and how prepared you are to deal with the consequences.

It's easy for those who look at the past to think that it must have been simple for you, but that wasn't always the case.

If it were easy, there would be a lot more people like me and, if there were a lot more of me, there would be less of who I really am. I'm often a contrarian, which by definition means I'm an outlier. The results prove that mine is not a very common scenario.

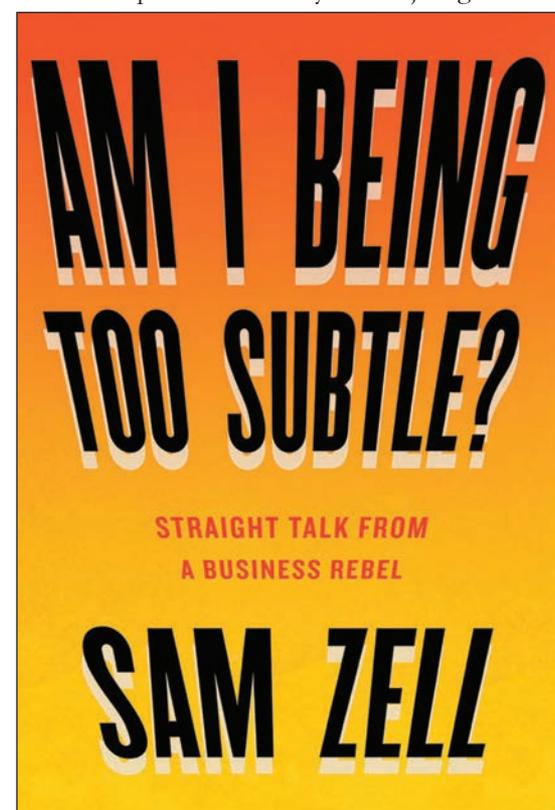
I guess there are always a lot of maybes. My success is a collection of factors plus an aptitude for the unknown. To me, being an entrepreneur is synonymous with having an insatiable curiosity about what's around the next corner. How is what I'm reading today going to impact the way we live tomorrow, and how might I take advantage of that?

Is there truth to the idea that many leaders would not be able to start their companies in today's environment?

Sure. There are all kinds of new regulations creating barriers, but there are different opportunities in other arenas. New avenues open up for each generation. Thirty years ago, creating Google wouldn't have been an option. No one my age had the opportunity to create Amazon or Netflix.

How important is it for young people to find mentors?

I get a lot of requests from people who would like me to be their mentor. Needless to say, I'm flattered by their interest, but the reality is that mentoring doesn't just happen when two people decide to undertake that kind of relationship. I don't think you can just go across



the street and find someone to mentor you. You have to work with someone and recognize that person has a lot to offer. He or she has a perspective, a view, or an opinion that resonates with you, and you pursue it accordingly. At least that's how I identified the mentors in my life, some of whom I cover in my book.

Part of the skill in being a good entrepreneur is the ability to recognize the traits that someone else has that will serve as support and direction for you.

How does the title of the book capture you?

As far as I can remember, nobody has ever left a meeting with me and then asked what I really meant. Being more tactful might have advanced my career better, but I never had the patience to be vague and wait for the other person to get the message. I always felt that if I delivered the message directly, I might not be the most popular person around but I wouldn't be misunderstood.

Could you have worked in a typical corporate environment?

It was challenging for me to work for someone else during the short time I did, but I have spent my life working with people. The average tenure of the people who have worked for me is extraordinarily long; the average for my senior people is 20 years, and that's quite unusual. I like to think this is because of the traits we've been discussing and because of the culture we've built.

The last thing people working for me should be is tactful. If I spend half my time trying to figure out what they are trying to tell me, I only have half the time left to fix it.

You also talk about what you call the 11th Commandment – not taking yourself too seriously. How important has this been for you?

It's real simple: nobody laughs at me more than I laugh at myself. Nobody is quicker to pick on me than I am to pick on myself. If people have that kind of orientation, they're protected from the vagaries of life. It's important to laugh at yourself and know that you're not going to be right all the time. It takes a certain level of self-confidence to absorb that. On the other hand, without that self-confidence, it's not likely that someone would achieve what I've achieved.

There's the portrait of what people think a CEO looks like, but you did it your own way.

I was never CEO of anything (except for brief periods when one of my companies needed interim leadership). That was never my interest. My success at delegating responsibility is a result of the fact that, never having been on the hook for daily performance, I can identify

people that have a better orientation and greater attention span to play that role.

When it comes to hiring top talent, is schooling more important or personality and culture fit?

It's about the personality, but my management style is very simple – it's called the rope theory. I give everybody a lot of rope and they either hang themselves or make a lasso. That means they have a lot of autonomy, but then they need to prove they can take advantage of it and that they have good judgement in what opportunities they pursue.

What advice do you give young people who are trying to build their careers today?

My advice to them is that things aren't any different than they were 100 years ago. We live in a consistently changing world that represents challenges to everybody, and how one interprets those challenges and picks up the ball if it's rolled in their direction determines if they succeed or not.

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How driven are they? How hungry are they? How do they define success?

There are some kids today for whom success isn't anywhere near as important as it was for me. Success for me was wrapped around the word "freedom." The more success I achieved, the freer I got. If I was really good at what I did, I could wear jeans to work every day; if I wasn't very good, I had to wear a suit and tie. I never thought wearing a suit and tie had any merit.

Was giving back philanthropically, which is a big part of what you do, instilled in you early on?

I was brought up in a Jewish home, and the word "tzedakah," which means charity, was not very far from everyday existence. People my age grew up with a blue box in their kitchen, which was to save coins to help the poor. From that perspective, charity was always part of who I was.

I have also succeeded well beyond the needs of my family so the question became, what kind of a difference can I make? To really make a difference I need to be involved – not just write a check. That is how I have proceeded. Putting my name on a building has never been my definition of success.

Do the skills and expertise you have in business translate to philanthropy?

The characteristics of leadership cover all disciplines. I saw that when I chaired the National Association of Real Estate Investment Trusts in the 1990s. I'm very focused and direct, I know what I want to get done, and that plays well in any world.

In writing the book, did it give you time to reflect on and celebrate your life?

There is no question that writing the book helped me recollect the different lessons in my life, and that further encouraged me to write it.

I wouldn't call it a celebration – it's much more an example of focus and setting out to do something. It's having a goal and achieving it.

Does luck play a factor in your mind?

All of us benefit from good luck and suffer from bad luck. What is the definition of luck? Is it meeting someone at a particular time? Maybe. It might be fate. It might be the effort one makes. If someone works hard,

they're more likely to find advantageous relationships. I can't define it other than that I'm open to anything. Frankly, if the 11th Commandment is observed, then people should always be open to anything, and the more open they are, the more they put themselves in line for a lucky break.

Were there one or two experiences that stick out with you as you were doing this?

I don't think of one experience or another. Each one had such an impact at that time. When I was 14, I recognized that I just couldn't conform to my peers. That was a staggering realization at

the time. It was no different for me than doing the biggest real estate transaction in history. Finishing the book was also pretty unbelievable.

Do you feel the leaders needed to address today's challenges are out there?

I don't think there is a shortage of leadership. It's a matter of perspective. Is a leader someone like Michael Bloomberg? He is someone I would look up to. On the other hand, someone in Silicon Valley might be looking up to someone like Mark Zuckerberg.

There is always leadership, but the more open our society has become, the more forms it takes.

Is it hard to build relationships at the top, and what made you do it so well?

I have no idea how I did it. When you are a leader, it's lonely. Everyone else can rely on conventional wisdom, but a leader doesn't have that option. A leader has to set the tone and, by definition, that is a singular role.

What's left for you to achieve?

We'll see what the next opportunity is. I wake up every morning and I don't know what I'm going to do that day, but I am determined to test my limits. ●