

The leadership style of warren buffett essay sample

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Warren Buffett (Buffett) is the world's second-wealthiest person and one of its most successful investors. His character, leadership style and business acumen have positioned Buffett in a world class of his own.

His Birth and Education

Warren Buffett, born on August 30, 1930 in Omaha, Nebraska, attended the University of Nebraska. There, he had the occasion to read a book entitled, *The Intelligent Investor*, written by a Columbia professor by the name of Benjamin Graham (Graham). Buffett was so influenced by Graham's ideas that he applied to Columbia Business School to study under, be trained by Graham and ultimately become Graham's protégé. (Hagstrom, 2005, p. 2). Hagstrom notes that Bill Ruane, Chairman of the Sequoia Fund, was in the same class as Buffett. Ruane recalls the following: " There was an instantaneous chemistry between Buffett and Graham, and that the rest of the class was primarily an audience." (Hagstrom, 2005, p. 2).

How Do We Describe Buffett

In her book, *Warren Buffett Speaks*, Janet Lowe's opening paragraph in her introduction sums up the challenge one would have in describing Buffett. She wrote: " Is there anyone anywhere who has more nicknames than Warren Buffett? Vanity Fair called him the Forrest Gump of Finance. He's been dubbed the Oracle of Omaha, Omaha's plain dealer, the corn-fed capitalist, St. Warren (with a less than admiring inflection), and the financial world's Will Rogers. He could also be called the King of Bling for his ownership of jewelry stores, including the second largest in the United States, Borsheim's

of Omaha". (Lowe, 2007, p. 1). Buffett embraces the simple and avoids the complicated. (Pardoe, 2005, p. 5).

Michael Lee Stallard, President of E Pluribus Partners describes Buffett in this way: " He [Buffett] is always courteous and considerate. He lacks arrogance and easily connects with people. Stallard notes that Buffett's long time Administrative Assistant says that she has never seen him in a state of anger with anyone. (Stallard, March 24, 2011 p. 2).

Buffett's Leadership Style

Stallard states that Buffett creates a connection culture. By that he means that Buffett keeps his management teams emotionally connected to Berkshire Hathaway- Buffett's multi-billion dollar holding company - the corporate vehicle from which he buys and controls his investments, and to Buffett. Buffet treats every manager as if he is his own CEO and encourages them to treat the business as their own.

Buffett is more of an authentic leader with some traits of a transformational leader with the exception of the high risk-taking factor. Buffet keeps it simple and stays in zones, which he is knowledgeable. He knows and understands himself, knows what he believes and values, and acts on his values and beliefs through open and honest communications with subordinates and others. (Hellreigel/Slocum, 2011, p. 326). Warren Buffett did not become one of " America's Best Leaders" just for his investing prowess. Rather, he was selected for his leadership and influence in the greater corporate world. His commitment to sound ethics and principles, his self-discipline and

consistency, his transparency in disclosing mistakes, his criticism of Wall Street fees and compensation of underperforming CEOs, and his pleas for improving corporate governance - all have had a salutary influence on the corporate community. (Bill George, U. S. News. " The Master Gives It Back," Retrieved February 2/6, 2012, Posted 10/22/2006,

www.usnews.com/usnews/news/articles/061022/30buffett_print.htm.)

Stallard emphasizes that Buffett is always courteous and considerate and lacks arrogance. He notes that Buffett easily connects with people. As to his managers, Buffett brings to the table the element of voice. He is always available to his managers, making himself a sounding board. He brings the element of the Vision to life. He always talks about Berkshire Hathaway as a healthy company. He makes statements to his managers like " just keep on doing what you're doing because we are never going to tell a 400 hitter to change his batting stance." (Stallard, e-Video recorded for Athenaonline.com, www.michaelleestallard.com/the-leadership-style-of-warren-buffett) published on March 2, 2009 08: 36 a. m. under Uncategorized.

Buffett's Fundamental Business Principles: Four Wise Men

In order to have some understanding of Buffett and Buffettology, the underlying business principles which Warren Buffett adheres to and which have caused his immeasurable success, it is necessary to examine briefly the impact of four wise men whom Buffett honored and allowed to impact his life and his business which has spearheaded to the status of the " great" and in other related arenas, " the greatest." Benjamin Graham played a major

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role in the life of and the adaptation of investment strategy that would keep Buffett in the mainstream nearly one-half a century and with promise by what he would sow, a harvest of reaping great fruit in all disciplines for many generations to come. Graham is considered the Dean of Financial Analysis. He had no predecessor in the field and/or work. Graham had two celebrated works, *Security Analysis*, co-authored with David Dodd and originally published in 1934. *The Intelligent Investor* was originally published in 1949. (Hagstrom, 2007, p. 12). Graham began his career on Wall Street as a messenger at the brokerage firm of Newburger, Henderson and Loeb, posting stock prices on a blackboard for \$12 per week.

From messenger he rose to writing research reports and soon was awarded an annual salary of \$600, 000. He was only 25 years old. (Hagstrom, 2007, p. 12). In 1926 Graham formed an investment partnership with Jerome Newman. It was this partnership that hired Buffett some thirty years later. (Hagstrom, 2007, p. 12). Graham gave Buffett the intellectual basis for investing, the margin of safety, and helped Buffett learn how to master his emotions to take advantage of market fluctuations. (Hagstrom, 2007, p. 28). The second influential individual in Buffett's life was Phillip Fisher. While Graham was writing *Security Analysis*, Fisher was beginning his career as an investment counselor. Fisher began work as an analyst at the Anglo London & Paris National Bank in San Francisco. He was made in charge of the Bank's statistical department. It was from this perch that Fisher witnessed the Crash of 1929. After a brief and unproductive career with a local brokerage house, Fisher opened his own investment counseling firm and operations began

March 1, 1931. Fisher recalled that at Stanford one of the instructors of one of his business classes required that Fisher accompany him to diverse businesses.

The professor would get the business managers to talk about their operations, and often helped them solve an immediate problem. Driving back, Fisher and his professor would recap what they observed about the companies and managers. Fisher held this memory as dear and said “ that hour each week was the most useful training I had ever received.”

(Hagstrom, 2007, pp. 16, 17). “ From these experiences, Fisher came to believe that people could make superior profits by investing in companies with above-average potential and aligning themselves with the most capable management. To insulate these exceptional companies, Fisher developed a point system that qualified a company the characteristics of its business and its management.” (Hagstrom, 2007, pp. 12-13). “ The impact of Fisher’s viewpoint on Warren Buffett was that he gave Buffett an updated, workable methodology that enabled him to identify good long-term investments and manage a profile over the long term and taught the value of focusing on just a few good companies.” (Hagstrom, 2007, p. 28).

Fisher also emphasized the quality of management as a criteria for identifying outstanding companies. Fisher impacted Buffett to understand that superior managers are determined to develop new products and services that will cause growth to continue and spur long after the end of current products and services. Fisher’s position was that management should be establishing policies to ensure consistent gains for 10 to 20 years,

even at the costs of subordinating immediate profits. He makes clear the distinction between subordination and sacrifice. Finally, another critical trait concerned that management must be unquestionable in integrity and honesty. They must see themselves as trustees for the stockholders. (Hagstrom, p. 18).

John Burr Williams, like Fisher graduated from Harvard and Harvard Business School. He worked as a security analyst at two well-known Wall Street Firms during two critical periods, the roaring 20's and the crash of 1929. His dissertation was entitled the Theory of Investment Value and it has influenced financial analysts and investors ever since. For sixty years it has served as the foundation on which many famous economists have based their own work. Today, Williams' theory is known as the dividend discount model, or discounted net cash flow analysis which provides a way to put a value on a stock or a bond. It is the underlying methodology that Warren Buffett uses to evaluate stocks and companies. (Hagstrom, 2007, pp. 20, 21).

Charles Munger, attorney, son of a lawyer and grandson of a federal judge believed in common sense business principles and he and Buffett had a tremendous relationship. After his influence on Buffett with regard to influencing him to move away from cheap purchases, Munger helped Buffett develop a more progressive mindset regarding the marginal difference in the economic returns which was the consequence of buying and owning quality and significant businesses. (Hagstrom, 2007, pp. 22, 23, 24). These wise men were the forerunners of the world of investments and finance as we

know it today. Buffett was right there as a recipient of their labors and intellectual outputs. They were his mentors. In his own genius he was able to incorporate these strategies into a single cohesive approach. (Hagstrom, 2007, pp 22-24).

Preferred Leadership Style

Transformational leadership is the preferred leadership style. It involves anticipating future trends, inspiring followers to understand and embracing of a new vision of possibilities, developing others to be leaders or better leaders and building the organization or group into a community of challenged and rewarded learners. It allows for more control mechanisms which is more realistic than authentic leadership.

SCORE is a part of the Small Business Administration and offers diversified services which are needed for all businesses at any level of its formation and operation. The Online Workshops and low cost off site workshops can be tailored to suit the respective needs. Transformational leaders must be assured that all subordinates and diverse managerial staff are well-trained, able to communicate and understand with clarity the ability to express the same in an articulate fashion the vision of the organization/corporation.

SCORE also offers online and off site business mentors and coaches. This aspect is helpful with the digital trends and fast paced activities of demand and supply and the ability to make accurate decisions for the business and management.

SCORE offers templates and tools, which enables the business plan to be current and accurate with regard to general market trends.

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