

THE WOMEN OF BERKSHIRE HATHAWAY



*Lessons from Warren Buffett's
Female CEOs and Directors*

KAREN LINDER

FOREWORD BY SUSIE BUFFETT

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THE WOMEN
OF
BERKSHIRE
HATHAWAY

*I dedicate this book to my mentors, both male and female,
that guided me in building a career and running a business,
and to my former students
who I hope have learned something from me,
either in the classroom or by example.*

Foreword

This book is a collection of stories about the “women of Berkshire.” All are women who my father respects and admires—because they are good managers and good people. I’ve had the great privilege of knowing all of the women in this book. These are stories for anyone interested in business, management, entrepreneurship, or just plain human drama.

As an only female child with two brothers, I never once heard the message that many girls of my generation heard—that the only career options for me were nurse, teacher, secretary, or, of course, homemaker. I was very lucky that both of my parents were supportive of gender equity—long before it was a widespread movement. In a 2004 *Charlie Rose* interview, my dad was quoted as saying, “Wait until women realize they are the real slaves of the world.” He initially said this in the 1960s, making a pretty forward-thinking statement for a man in a time when women were expected to stay home and bake cookies.

My father’s support of women’s and girl’s issues continues to this day. He is the only man invited to the annual Fortune Most Powerful Women Summit. He is a big fan of Girls Incorporated—a nonprofit with a mission to “inspire all girls to be strong, smart and bold.” In his

personal life, he surrounds himself with smart people—who happen to be mostly women—including his bridge partners, many of his closest friends, and one of his doctors. In his business life, a close circle of women function as advisers and confidantes—several of whom he speaks to on a daily basis.

After reading the book, I realized that two women are missing, both enormously important to Berkshire and my father. The first is Debbie Bosanek, who 37 years ago started at Berkshire when she was 17 years old. She has been my dad's assistant for over 18 years. Debbie is the gatekeeper: She screens the mail, keeps his calendar, organizes his travel, and manages the administrative functions in the office, all while the phone is ringing off the hook. She knows everything about him: what and how he thinks about various topics, what he will eat (and, more likely, won't eat), what he will sign, what he'll say yes to, and what he'll say no to. In all the years I've known her, I've never seen her rattled, impatient, or angry. To all of the many people from around the world who call the office each day, Debbie is the voice of Berkshire Hathaway. And there could be no better person—man or woman—in that job. My dad says that the directors and managers of Berkshire—men and women—like Debbie better than they like him. He says that there isn't anything she can't do.

The second Woman of Berkshire is *the* Woman of Berkshire: My mother. My father freely admits that there would be no Berkshire Hathaway if he had married someone else. My dad was a self-described "mess" when they got married. He credits her with changing his life. It's probably not an exaggeration to say she saved his life. When I told him I was going to do the foreword for this book and talk about Mom, he said again, "I learned as much from her as anyone." My mother described her role in my father's life as the "watering can to his flower." That my mother could see my father—an aspiring but nerdy businessman with low self-esteem—as a flower is a testament to her vision and her faith in the human spirit. That my dad allowed himself to be "watered" is a testament to his ability to recognize that he was safe with her and could trust this woman with his transformation. My dad came into the world as a mathematical genius: He sees the world in odds, percentages, and numbers (and of course dollars). My mother is the one

who taught him how to be a human being—to love and be loved. Her influence made him a better man in business and in life. Until the day she died, my dad relied on my mother for advice, counsel, and support in every aspect of his life—including Berkshire Hathaway.

Today this book highlights nine talented women who have helped build Berkshire into the successful company that it is. It is important to recognize their contributions. It is my hope—and that of my father—that in the future a book about the women of Berkshire Hathaway will become irrelevant, as the number of women directors and managers grows. And it surely will.

—*Susie Buffett*

Chair of the Susan Thompson Buffett Foundation
and the Sherwood Foundation

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I wish to thank my professor of Honors English at Nebraska Wesleyan University, the late Harold Hall. Despite my being a biology major, he provided top-notch education and inspiration in literature and writing. Tilde Kline M.D., Jean Triol, and Roberta Goodell all encouraged me to write, edit, and publish medical articles, something that has given me enormous pleasure.

I've had many mentors to thank that have contributed to my life's experiences and lessons. While still a student of cytotechnology, I met Laura Cook, a cytotechnologist from Omaha. She guided and pushed me to actively participate in leadership positions of our professional organizations sooner than I would have chosen. Coincidentally, after boarding my flight to New York to conduct the first interview for this book with Cathy Baron Tamraz, Ms. Cook, now 80 years old, and whom I hadn't seen for the past decade, was seated across the aisle from me. As I told her about my latest project she beamed proudly, just the same as she had nearly 30 years earlier. I took it as a sign.

After 19 years of working and teaching in hospitals, I opened a private pathology laboratory where I learned a great deal about business. If not for Martha Hutchinson M.D., who graciously served as my medical director, it would not have been possible.

Finally, thank you to my parents, June and Dwaine Karr, for raising me to work hard and set ambitious goals. My husband and children are the foundation of my life. Their loving support, in addition to Butterfingers' unconditional love, is a constant presence that I cherish.

Introduction

I've attended the Berkshire Hathaway annual shareholder's meeting in Omaha, Nebraska, for the past few years and always get there early (or send my husband early) to be able to secure seats in the main arena of the 19,000-seat Qwest Center, recently renamed the CenturyLink Center. We're fortunate in having Omaha as our hometown and look forward to the event each year. The 2011 attendance was 40,000, so getting there by 6:30 A.M. is important, lest you be relegated to the folding chairs and bleachers watching simulcast monitors in the exhibit hall or across the street in a ballroom of the Hilton Hotel.

Doors open promptly at 7 A.M. to long lines of people, some of whom slept on the sidewalk outside overnight. If you didn't know better, you'd think they were waiting in line for a rock concert. The meeting always begins with the Annual Meeting Movie at 8:30 A.M. Yes, people sit in their precious seats for an hour and a half with absolutely nothing to do except laugh at the people who didn't stand in line outside the convention center and are now running up and down steep auditorium steps hoping to find two open seats together.

The movie is different each year, lasts for about an hour, and is a great mix of comedy and promotion. Chairman Warren Buffett and

Vice Chairman Charlie Munger poke fun at themselves with celebrities such as soap actress Susan Lucci, NBA star LeBron James, and the cast of television's *Desperate Housewives*. This is interspersed with debuts for some of the funnier television advertisements from Berkshire Hathaway companies, such as GEICO, Dairy Queen, and Fruit of the Loom.

At the end of the movie, a scrolling horizontal row of Berkshire Hathaway managers' portraits lists their names and companies while music of modified lyrics to the tune of "My Favorite Things" plays in the background. In this video, the managers are thanked for the previous year of hard work.

As I watch this each year, I see the headshot photos of the more than 80 Berkshire company managers scroll by and wonder, "Why are they all men?" Actually, they aren't *all* men. There are currently four women who manage Berkshire Hathaway companies: Marla Gottschalk of The Pampered Chef, Susan Jacques of Borsheims Fine Jewelry, Beryl Raff of Helzberg Diamonds, and Cathy Baron Tamraz of Business Wire. During this three- to four-minute music video, the photos of these four women appear like remote islands in a vast sea of men. It made me wonder about what made these particular women so unique and if this proportion of female leadership is typical in all of corporate America.

Berkshire Hathaway Managers

As of January 2012, a record high of 18 women (3.6 percent) hold CEO positions of a Fortune 500 company. Berkshire's current ratio of female CEOs is higher than that at 5.1 percent, increasing from just one female CEO in 2001. However, the female CEOs that run Berkshire subsidiaries are not responsible for companies as large as those in the Fortune 500. When they are compared to companies of equal budget size as themselves, they have a very similar proportion of female CEOs.

Warren Buffett has a comfortable relationship with all of the CEOs of Berkshire subsidiaries. He has let it be known what he looks for when he considers buying a company and a significant piece of the decision

lies in the company's leadership. Competent management is essential. Management should possess these traits:

- Be rational.
- Be candid with the shareholders.
- Resist the institutional imperative.¹

In published criteria of company qualities that make it an attractive asset, he lists, "Management in place. We can't supply it."² "If they need my help to manage the enterprise, we're probably both in trouble."³ Charlie Munger adds, "We have decentralized power to a point just short of total abdication."⁴

Berkshire Hathaway is beloved by its shareholders and employees alike. Buffett praises his CEOs regularly. Branding the CEOs as "All-Stars" may also be a clever personnel management ploy on his part to inject so much confidence in his people that they feel they must be the best.⁵

Buffett had this to say about the managers in his 2011 Letter to Shareholders:

We possess a cadre of truly skilled managers who have an unusual commitment to their own operations and to Berkshire. Many of our CEOs are independently wealthy and work only because they love what they do. They are volunteers, not mercenaries. Because no one can offer them a job they would enjoy more, they can't be lured away.

At Berkshire, managers can focus on running their businesses: They are not subjected to meetings at headquarters nor financing worries nor Wall Street harassment. They simply get a letter from me every two years and call me when they wish. And their wishes do differ: There are managers to whom I have not talked in the last year, while there is one with whom I talk almost daily. Our trust is in people rather than process. A "hire well, manage little" code suits both them and me.

Berkshire's CEOs come in many forms. Some have MBAs; others never finished college. Some use budgets and are by-the-book types; others operate by the seat of their pants. Our team resembles a baseball squad composed of all-stars having vastly

different batting styles. Changes in our lineup are seldom required.⁶

Buffett includes a letter to the managers in Berkshire's annual report every other year. In the 2010 Memo to Berkshire Hathaway Managers ("The All-Stars"), he points out,

The priority is that all of us continue to zealously guard Berkshire's reputation. We can't be perfect but we can try to be. As I've said in these memos for more than 25 years: We can afford to lose money—even a lot of money. But we can't afford to lose reputation—even a shred of reputation. We must continue to measure every act against not only what is legal but also what we would be happy to have written about on the front page of a national newspaper in an article written by an unfriendly but intelligent reporter. As a corollary, let me know promptly if there's any significant bad news. I can handle bad news but I don't like to deal with it after it has festered for awhile.⁷

The CEOs of Berkshire Hathaway subsidiaries are evaluated and compensated based on their individual company's performance. The overall performance of Berkshire, up or down, is not uniformly applied to the evaluation of each of the 79 separate subsidiaries. If the stock of Berkshire Hathaway goes down in a given year, it will not negatively impact companies that have seen gains in revenue and profit. The reverse is, of course, true also.

Regarding the compensation of CEOs, Buffett says,

"Berkshire employs many different incentive arrangements, with their terms depending on such elements as the economic potential or capital intensity of a CEO's business. Whatever the compensation arrangement, though, I try to keep it both simple and fair. When we use incentives—and these can be large—they are always tied to the operating results for which a given CEO has authority. We issue no lottery tickets that carry payoffs unrelated to business performance. If a CEO bats .300, he gets paid for being a .300 hitter, even if circumstances outside of his control cause Berkshire to perform poorly. And if he bats .150,

he doesn't get a payoff just because the successes of others have enabled Berkshire to prosper mightily."⁸

Of the seven CEOs profiled in this book, four (Blumkin, Christopher, Tamraz, and Graham) were already in place as CEO at the time of acquisition by Berkshire Hathaway. Berkshire has never acquired a company and let go of the existing management team. Jacques and Raff both succeeded male CEOs after Berkshire acquisition.

It can be argued that Berkshire's subsidiary company The Pampered Chef is at the forefront of the female-dominated industries of at-home parties and kitchen utensils and so having a woman CEO is not exceptional. That is a fair argument. The company was founded by Doris Christopher. She was succeeded as CEO by Marla Gottschalk. It is very unlikely that a man will soon hold the position of CEO of The Pampered Chef.

One might also suggest that the jewelry business, including Borsheims and Helzberg Diamonds, is a woman's industry, since women own and wear significantly more jewelry than men. In this case, the argument is simply wrong. Historically, jewelers and gem experts have been male. It was only in the past 30 years that women began to enter professions in the jewelry industry. The Women's Jewelry Association was formed in 1983 to help further the careers of women in the jewelry and watch industries.

The male-dominated American furniture industry began in the southern United States. Nebraska Furniture Mart, founded by Rose Blumkin in 1937, is an anomaly in the industry.

Business Wire is a service company for public relations and investor relations. There is significant female representation in the area of public relations, but not so in the realm of investor relations.

Newspapers are traditionally led by men. Berkshire Hathaway is the majority shareholder of The Washington Post Company, but does not own it outright. Katharine Graham's father purchased the *Washington Post* when she was 16 years old. Her husband took over running it from her father and she inherited the CEO position only after the death of her husband. Of some interest is that there are at least three women who claim to be the first female publisher in the United States, all in the 1700s, and each succeeded to the post after the deaths of their respective publisher spouses.

Berkshire Hathaway Directors

Berkshire Hathaway has been listed as having one of the three best boards of directors in America, along with Amazon and Johnson & Johnson.⁹ Women comprise 16.1 percent of U.S. corporate board seats.¹⁰ The board of directors for Berkshire Hathaway has 2 seats out of 12 (16.67 percent) occupied by women: Charlotte Guyman, board member since 2003, and Susan Decker, board member since 2007 (see Figure I.1). Until her death in 2004, Susan T. Buffett, wife of Warren, was a member of the board. There are two female officers (out of eight) of Berkshire Hathaway: Sharon L. Heck, vice president, and Rebecca K. Amick, director of internal auditing.



Figure I.1 Berkshire Hathaway's Board of Directors Enjoying Root Beer Floats at Piccolo Pete's in Omaha, Nebraska

Left to right: Thomas Murphy, former CEO, Capital Cities/ABC; Ronald Olson, partner, Munger, Tolles & Olson; Susan Decker, former President, Yahoo!; Walter Scott Jr., Chairman, Level 3 Communications; Howard Buffett, President, Buffett Farms; Charlie Munger, Vice Chairman, Berkshire Hathaway; Warren Buffett, CEO, Berkshire Hathaway; David Gottesman, Senior Managing Director, First Manhattan; Bill Gates, founder and former CEO, Microsoft; Charlotte Guyman, former Chairman of the Board of Directors, UW Medicine; Stephen Burke, CEO, NBCUniversal. (Not shown: Donald Keough, Chairman, Allen & Company.)

SOURCE: Gregg Segal.

Berkshire does not have a policy regarding the consideration of diversity in identifying nominees for director. The Governance, Compensation, and Nominating Committee looks for individuals who have very high integrity, business savvy, an owner-oriented attitude, and a deep genuine interest in the company.¹¹

In Warren Buffett's 2011 Letter to Shareholders he said this about the Berkshire Directors,

To start with, the directors who represent you think and act like owners. They receive token compensation: no options, no restricted stock, and, for that matter, virtually no cash. We do not provide the directors and officers liability insurance, a given at almost every other large public company. If they mess up with your money, they will lose their money as well. Leaving my holdings aside, directors and their families own Berkshire shares worth more than \$3 billion. Our directors, therefore, monitor Berkshire's actions and results with keen interest and an owner's eye. You and I are lucky to have them as stewards.¹²

It's interesting and a bit humorous to learn what Berkshire directors are paid to serve on the board. It is a mere pittance compared to typical board member compensation for large corporations. In 2010, the Berkshire board members were each paid \$2,700. Three members of the Audit Committee were paid an additional \$4,000. The method of compensation is defined such that each director receives a fee of \$900 for each meeting attended in person and \$300 for participating in any meeting conducted by telephone. A director who serves as a member of the Audit Committee receives a fee of \$1,000 quarterly. Directors are reimbursed for their out-of-pocket expenses incurred in attending meetings of directors or shareholders.

Berkshire does not provide directors and officers liability insurance to its directors. Directors and officers (D&O) insurance is a policy that most public corporations purchase to cover events where the board members and officers of a corporation are sued, most likely by a shareholder, in conjunction with the performance of their duties as they relate to the company.

This is far less than the hundreds of thousands of dollars some board seats pay. For example, Stephen Burke's compensation as a Berkshire