

The background of the cover is a photograph of Warren Buffett standing in front of a grand, classical building with large columns and a pediment. He is wearing a dark suit, a white shirt, and a patterned tie, and is smiling slightly. The text is overlaid on the top portion of the image.

NEBRASKA ○

Business

A Magazine for Alumni and Friends of the College of Business Administration at the University of Nebraska-Lincoln

*“The best year of my college
experience was at the
University of Nebraska”*

Warren Buffett

Warren

A Conversation



Warren Buffett offering his wallet to Dean Cynthia Milligan

Arriving at Warren Buffett's office early on a Tuesday morning, Warren greeted me at the door. He was looking forward to the opportunity to discuss the College of Business Administration. As we toured his office, he chuckled when he recalled a puzzling income item of \$4.00 on his latest tax return. With his usual thorough research, discovered it was a royalty payment for his appearance on "All My Children". A framed collage on his office wall documents his appearance on the soap opera, along with the check stub, which records the payment for the appearance, \$55,000 plus a \$10.00 wardrobe allowance. His family tells him that is enough wardrobe allowance to last several years.

Other memorabilia that adorns his office are the original stock certificates signed by Wells and Fargo for American Express and the Wells Fargo Company. Along with those documents is a bank charter signed by Fargo. He also keeps two Coke machines and various other souvenirs, representing his businesses, such as a giant Dairy Queen ice cream sundae.

Cynthia: Talk about your Nebraska ties. Your parents were at the University, weren't they?

Warren: My great-grandfather started a grocery business in 1869 in Omaha. All of their children attended the University of Nebraska. When my father was at the University, he was the editor of The Daily Nebraskan. My mother was the granddaughter of the owner of the Cuming County Democrat in Westpoint, Nebraska. My mother could run a linotype when she was twelve; she used to interview people

Buffett

with Dean Cynthia H. Milligan

waiting for the train, just to have something to write about in the paper. When she went to the University, she naturally went to the Daily Nebraskan looking for a job, where she met my father.

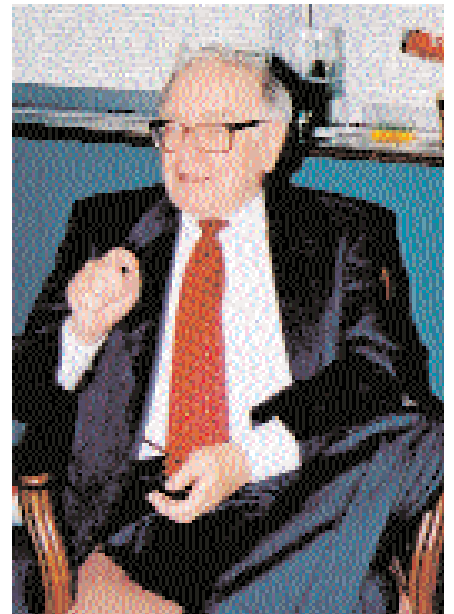
Cynthia: What do you remember about your education at the University?

Warren: I had a great experience at Nebraska. Probably the best teacher I had was Ray Dein in accounting. I think everybody in business school should really know accounting; it is the language of business. If you are not comfortable with the language, you can't be comfortable in the country. You just have to get it into your spinal cord. It is so valuable in business.

Cynthia: You began your university education at another institution, what are your thoughts on the education you received at the University of Nebraska?

Warren: The best year of my undergraduate work was at Nebraska; I would call it my best overall experience except for the year at Columbia, where I studied with Ben Graham. The teachers at the University turned me on. There wasn't a class that disappointed me. I was close to my professors, who actually taught the classes. At my previous undergraduate college, graduate students taught the classes.

One of the best things that happened was the day the University was going to award the "Nathan Gold Scholarship," a \$500 scholarship to attend graduate school anywhere in the U.S. As it turned out, I was the only applicant that showed up for the interview. So I won the scholarship by default. My dad wanted me to apply to Harvard Business School. It was a 10-hour train ride to Chicago where I met with the person who was to interview me, and was told to come back another time when I was older. I was 19 at the time. So I rode 10 hours back, wondering what I was



"I had a great experience at the University of Nebraska. The teachers at the University turned me on. I was close to my professors. There wasn't a class I was disappointed in."

going to tell my Dad. In August of that year I was leafing through magazines and discovered that Ben Graham was teaching at Columbia, so I contacted the Dean at Columbia and even though it was very late to apply, was accepted.

Cynthia: Are you a goal oriented person? When you were in college did you set goals for yourself?

Warren: I have always liked business and wanted to be in business. This is my ledger from 1950, when I was at the University of Nebraska. It shows the investment in my golf ball business. I had \$44 cash and half interest in a car. I also had a brokerage account, but had to buy stocks in my sister's name because I was underage.

Cynthia: Your goals were financial then?

Warren: Business, I like the process of business. Money is a way to be in business, but the real fun is the activity itself.

Cynthia: When you are looking at a business in which to invest, what are your priorities?

Warren: You have to really understand the economics of a business and the kind of people you are getting into business with. They have to love their business. They have to feel that they have been creative, that it is their painting, I am not going to disturb it, just give them more canvas and more brushes, but its their painting, from our standpoint any way. The whole place will reflect the attitude of the person at the top, if you have someone at the top who doesn't care, the people down below won't care. On the other hand, if you have someone at the top who cares a great deal, that will be evident across the organization.

Cynthia: The type of people managing the business is a very important criteria, then?

Warren: Yes, contracts don't protect you; you have to have confidence in the people.

Cynthia: We are making a big investment in ethics and leadership. We just hired a nationally known scholar in leadership to head our Center for Advanced Leadership Studies. We are searching for a faculty member with a reputation in the field of ethical leadership to work with our Center of Ethics and our Center for Leadership. Obviously, we see a need for our graduates to develop leadership skills and be aware of ethical issues in business. What is your opinion on the need for those entering business careers to have leadership skills and developed ethical values?

Warren: The best ethical leadership people receive is from their parents. Every kid wants heroes, and they may pick the wrong ones. The natural heroes are the parents. Kids usually emulate their parents, and if the parents behave well, the kids are very, very likely to behave well.

I think that what you do at school by emphasizing ethical values is that you will keep those kids on track and pull in a few that aren't.



Nebraska's Most Illustrious Alumnus

"The younger you are when you start learning, the better. Anyone who understands compound interest can understand that."

“I like the process of business. Money is a way to be in business, but the real fun is the activity itself.”

Cynthia: What about the value of good leadership skills and ethics in business?

Warren: I have seen plenty of people succeed that don't have either one. And I have also seen an awful lot of people succeed that do; and those are the ones I admire and they are the ones I want to associate with. Honesty is a terrific policy. What do you look back on in terms of whether you have been a success? You have certain things you want to achieve, but if you don't have the love and respect of people, you are always a failure. That is the one thing you must earn, it can never be bought. No one that has the love and respect of others is ever a failure.

Cynthia: A donor gave us \$1 million to develop an ethics program, and every year he asks us if we really think this makes a difference. I agree with you, often the students come with high ethical standards, but what we are doing is exposing them to some ethical issues that might trip them up at some point in their career. We want them to understand the issues and understand they can influence those around them with their own standards. Do you agree with that approach?

Warren: The simple test of good ethics, is how would you feel about any act, if a reasonably intelligent, but unfriendly reporter were to write it up and put it in tomorrow's paper for everyone to see. If it passes that test, it's okay, and if you have to think about it, it probably isn't the right thing to do.

Cynthia: You talk often about heroes, who are your heroes?

Warren: I have been extraordinarily lucky with my heroes, starting with my Dad. I have never been let down by one of my heroes. When I was about 13 or 14, we moved to Washington. I was all mixed up for a while, I ran away from home, stole things, but I got through it because I had the right heroes. If you have the wrong ones you have a real problem, because you are going to emulate your heroes. You will gravitate toward the people you admire. If you don't choose those people carefully, you will very quickly develop situational ethics that can get you into trouble.

Cynthia: Let's talk technology. I know that you have said you are not interested in investing in technology companies. However, we have a strong technology and e-business focus in our business curriculum, believing that our graduates will be more valuable to their future employers if they understand the use of technology in management, marketing, accounting and finance. What is your opinion of the importance of technology in business education today?

Warren: I love what technology is doing for the world, including me. I don't think it is easy to pick who the technology winners will be in ten years, like it is with chewing gum or soft drinks. But, that is an investment decision. We are the world's leaders in technology and it is an engine that will do wonders for this country over time.

“ Economics should be part of everyone's background, because it is the way the world works.”



“I think everyone in business school should really know accounting. It is the language of business. It is the Rosetta Stone for Business.”

Cynthia: Our philosophy is that technology is a part of every element in our curriculum. We do not have an e-commerce or an e-business major. It should be infused into everything; it has changed accounting, it has changed all aspects of business.

Warren: It's a tool. For a student to leave business school and not know how technology affects business and a mind to keep up with the progress of technology would be insupportable. Technology is the future of business. It is transforming society. If I were starting out in business today, I would be very focused on technology.

Cynthia: Do you think an MBA is an important degree for students to have today?

Warren: If you are interested in business, or likely to be in business, an MBA is very useful. But, what is really important is what you bring to a class in terms of being interested in the subject. If you view a course like accounting as a drudge and a requirement, you are missing the whole game. Any course can be exciting. Mastering accounting is like mastering a new language, it can be so much fun. The attitude should be one of discovery, that you are coming there and discovering. Accounting is the Rosetta Stone of business.

Economics is fascinating, the first page of economics describes how mankind deals with insatiable wants and creates the systems to fulfill these wants. It's great stuff. Really how the world works. Business is a subsection, a fairly understandable subsection, not like black holes, which are fairly hard to visualize, but business is every day stuff and you are learning how the world works. You are 18-19 years old and learning about the world, understanding how this great world works. The GDP per capita in the 20th century increased 6 to 1. Think of that, six times. Why does that work here in the U.S., why doesn't it work other places? The U.S. is a small part of the universe, but a very important part and understanding that and seeing everything else against that backdrop for the rest of your life is fabulous.

Cynthia: What goals do you set for yourself today; do you have goals you still want to accomplish?

Warren: Berkshire is my canvas. The goal I have is to have Berkshire be generally admired for what it is. I am also proud that we do things at Berkshire that are different than other corporations. My partner, Charlie Munger, says that Berkshire is a didactic exercise, that it is a teaching platform. We do things differently at Berkshire than in other business which bring into question the generally accepted ways of doing business.

Cynthia: We have 3200 students in the Business College, just beginning their paths to a career. What advice would you give students who are preparing for a business career?

Warren: My advice generally is to sop up everything you can. You're not going to run out of storage room in your brain, so take advantage of everything that is of interest. You will never have another opportunity like this in your lifetime.

I ask students what they would do, if when they were sixteen, a genie came to them and told them that they could have the car of their dreams. The only catch is that it is the only car they will ever have. I know what I would do; I would study the owner's manual until I had it memorized, and do everything I could to keep the car in the best shape possible. When you are sixteen, you only have one brain and one body and that is all you are ever going to get.

Cynthia: What advice would you give students who are just starting out in a business career?

Warren: I would say, follow what you are passionate about. I think it is crazy to be someplace where you feel your ethics or whatever is out of sync with your work. You really want to be in a place where you jump out of bed in the morning and you are all fired up to get to work. I have always felt that way, basically,

Cynthia: Our students are always interested in knowing what you look for when you hire someone? What specific qualities do you seek?

Warren: You look for three things, you look for intelligence, you look for energy and you look for integrity. You don't need to be brilliant, just reasonably intelligent, Ray Kroc, for example, has good intelligence, which he combined with good business principles and passion for business and a passion for his particular business.

Every business student you have has the requisite intelligence and requisite energy. Integrity is not hard wired into your DNA. A student at that age can pretty much decide what kind of person they are going to be at sixty. If they don't have integrity, they never will. The chains of habit are sometimes too heavy to be broken. Students can forge their own chains. Just pick a person to admire and ask why you admire them, usually it is because they are generous, decent, kind people, and those are the kind of people to emulate.

Cynthia: Thank you for the generous amount of time you have given us today. I know that you are a great asset for the College and we appreciate your support.

Warren: Thank you for coming.



“Berkshire Hathaway is my canvas. I get to paint my own painting. The ultimate luxury.”



Warren Buffett, 1948

Looking for more about Warren Buffett?
www.berkshirehathaway.com