

**Broad, Eli – The Art Of Being Unreasonable**

Wiley & Sons, 2010, [Business] Grade ★★ ★

Here's the scenario: Exactly one decade into a successful, industry-transforming journey as a housebuilder of the future – in the booming housing market of the U.S. in the 1960s – the company suddenly decides to acquire a sleepy, family-owned life insurer, using up a considerable chunk of the balance sheet. Motive? To diversify ahead of a “*looming housing market correction*”. All in favour of buying/holding onto the stock, please raise your hand! Well, you should have. The housebuilder was KB Homes and the life insurer was SunLife. The transaction was made with impeccable timing by the founder Eli Broad, leading to a 25 per cent share price CAGR over 37 years, handily beating Berkshire Hathaway over the time period. In 1998 the renamed SunAmerica was acquired by AIG for \$18bn, whereas KB Homes is still traded, slowly recouping from the latest housing correction. *The Art of Being Unreasonable* is the leadership and life lessons of Eli Broad, the only entrepreneur to have founded two Fortune 500 companies in two different sectors. As accomplished as that is, it could have been even better – more on that later.

Whereas the perfect 20/20 vision of hindsight, delivered in a brilliant to-the-point format of a book, might make the answer to the question seem obvious (*of course I would have backed him, he was a genius!*), the here and now is always infinitely more difficult. And that's the beauty of the success of *The Outsiders*, William Thorndike's masterpiece; waved around today as a blueprint for capital allocation prowess and corporate stewardship, at different points in time all eight CEOs portrayed in the book have been considered to be utterly insane, with share-prices lingering at Graham-type valuations. KB Homes and Eli Broad, while not one of the eight *Outsiders*, were no exception. Unconventionality is not offered up alongside low volatility and steadily quarterly progress!

The structure of the book is loosely aligned with Mr. Broad's reasons for success occupying the first

half of the book, with chapters such as “Forget Conventional Wisdom” and “The Value of Being Second”. They are all well researched, applicable and wonderfully prosed. I enjoyed this part of the book as much as Morton Mandel's *It's All About Who* and Jack Welch's *Straight From The Gut*. The latter half of the book takes it into more detail and also mixes business lessons with Broad's considerable accomplishments in philanthropy and art collection. This is where the plot gets a little thin in my opinion, at least for the business-minded reader. But, the book-title conveys more than a figurative reference to “art”; it is actually covered almost with the same detail and gusto as his other three “careers”. Although neatly interwoven with business and life, it is a subject matter somewhat narrower in scope to copy-and-learn from. As a reader, you can choose to breeze through these pages. But dinner would be a poorer meal without enjoying dessert.

Getting back to the “it could have been even better”-comment. Hidden in a paragraph towards the end, Mr. Broad talks about an investment KB Homes made in 1966, founding Nation Wide Cablevision, one of the earliest entrants into this field. Receiving a bid for the business in 1972 from TCI, KB Homes – strapped for cash from heavy investing into home building, cable and insurance – decided to sell. After bemoaning the fact that the \$23mn could have been worth much more today, merely from holding onto TCI stock, but perhaps even more so by consolidating the industry themselves, Mr. Broad merely drops the subject. As an avid student of business leaders and entrepreneurship, I wished he spent more pages on how capital allocations were made, the importance (or not) of a “corporate DNA” and how this experience affected the AIG takeover of SunAmerica. Inasmuch as I enjoyed a full-length book on his career and massive accomplishments (the CV runs 11 pages), the spirit Mr Broad shares with the other *Outsiders* would have made for fascinating reading under Thorndike's tutelage.

Henrik Andersson, June 10, 2014