PREFACE

I began researching this book after widespread praise for Warren Buffett became paradoxical: his goal has been to build Berkshire Hathaway into a lasting corporation, yet even great admirers say the company cannot survive without him.[1] The topic was a theme of Berkshire Hathaway's 2013 annual meeting. As a Berkshire shareholder for two decades and editor of *The Essays of Warren Buffett: Lessons for Corporate America*, first published in 1997, I knew enough to believe in Berkshire's future but was intrigued by those questioning it.

Although much has been written about Buffett as a person and as an investor, there has been scant treatment of Berkshire as an institution. My hypothesis was that Berkshire has distinct features and a strong corporate culture that will endure beyond Buffett. I understood that to identify and explain that culture would require looking beneath the familiar surface of Buffett's philosophy—acquiring great companies run by outstanding managers. I would need to start at the top but then look at each part, especially Berkshire's fifty significant direct subsidiaries.[2]

I also appreciated that I might not find what I was looking for. Perhaps there was no Berkshire culture and no common ground among the subsidiaries. Conglomerates do not necessarily have discernible corporate cultures, especially if each subsidiary operates independently or if the parent's rationale for acquisitions is as simple as buying a good business at a fair price.

Corporate culture can be a mystery at the simplest of companies; that of Berkshire can seem tantamount to explaining the rings of Saturn. At the outset of my work, I addressed the challenge by scrutinizing Berkshire's and Buffett's publications for artifacts of corporate culture. The materials I scoured included the company's annual reports and Buffett's letters to shareholders, particularly those addressing the subsidiaries and their histories and leaders. I also examined all of Berkshire's press releases, especially ones reporting on its acquisitions, and the statements, appearing in every Berkshire annual report for decades, of its creed (called "owner-related business principles") and acquisition criteria. These materials gave me preliminary outlines of Berkshire culture as seen from the parent level.

Then I turned to the subsidiaries. For former public companies, I reviewed filings with the Securities and Exchange Commission, paying particular attention to disclosure describing their sale to Berkshire. I read books profiling the subsidiaries, their founders, and senior managers. Among these were autobiographies, biographies, and in-house corporate histories. I studied scores of encyclopedic entries developed by independent archivists as well as profiles appearing in scattered chapters of a dozen leading books about Buffett. I supplemented all of this research—containing both laudatory and critical perspectives—with written surveys and interviews of dozens of current and former officers and directors of Berkshire subsidiaries and hundreds of shareholders.

The clues quickly added up as a pattern emerged: when profiling each subsidiary, the same traits began to appear repeatedly, nine altogether. Not every subsidiary had all nine, but many did, and most manifested at least five of the nine.[3] Moreover, the traits shared a common feature: all were intangible values that managers transformed into economic value. A portrait of Berkshire culture crystallized. It is distinctive, durable—and unique to Berkshire. What's more, it is this culture that I think will allow the company to endure upon Buffett's departure.

Here is a roadmap of the content of this book. The introduction paints a broad picture of Berkshire culture and describes what I call "the value of values"—the practice of transforming intangible values into economic value. Part I goes back to Berkshire's inauspicious origins, the first decade that laid the groundwork for the culture that would be formed. It then spotlights today's extraordinary diversity at Berkshire and reviews the notion of corporate culture that holds it together. En route, we encounter cultural profiles of a sampling of Berkshire subsidiaries.

In part II, each trait is distilled and illustrated, portraying the cultural histories of Berkshire's subsidiaries and showing how they fit into the larger Berkshire culture. Most of these chapters feature several subsidiaries and related stories of culture to exemplify a single theme. Yet common pervasive traits cannot be suppressed, so each chapter hints at themes made explicit in others. Stories illustrate challenges and setbacks alongside strengths and accomplishments owing to particular traits. Together, they demonstrate the distinctive economic value of Berkshire culture that would be foolish to squander.

The final chapters of part II present other iconic companies that have endured despite the passing of idolized founders. The penultimate chapter provides an analogy between Berkshire and its Marmon Group subsidiary, another conglomerate built by unique personalities (brothers Jay and Robert Pritzker), and one that many wrongly believed would see its demise along with its founders' passing. Part II's closing chapter looks at some of the public companies in which Berkshire owns a minority interest, less significant economically and culturally, but worth a glance to see what their cultures say about Berkshire culture. Many reflect how great institutions can transcend their defining personalities, whether Walmart after Samuel Walton or the Washington Post Company after Katherine Graham.

Part III stresses that even strong corporate cultures are rarely self-sustaining, so ongoing reinvestment in Berkshire culture will be necessary. Buffett built an institution that *can* survive him, if successors maintain it. Under a multi-part succession plan, Buffett's estate will continue for many years as Berkshire's controlling shareholder, gradually transferring shares to charitable organizations; together with a large bloc of like-minded Berkshire shareholders, this ownership will help sustain Berkshire by resisting pressures to focus on short-term results.

Investments and operations will be managed by leaders chosen from a group of current Berkshire executives, all accomplished and capable, though taking on jobs more daunting than that Buffett has faced, given his deep involvement in each step of building Berkshire. Part III draws lessons for Buffett's successors and offers takeaways from Berkshire's experience for those outside it, including businesses that would like to emulate the Berkshire model.

People question Berkshire's staying power for the wrong reasons. The strength of Berkshire's culture provides ample internal security for its indefinite continuation. The greater threat to keeping Berkshire as an outstanding public conglomerate is external, chiefly short-termism. Related pressures would exist whether Buffett retired yesterday or works forever. This book is principally a testament to the construction of an impressive corporate culture, topped off with new questions about outside forces that may put it in jeopardy.

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