10Minutes
on The Self-Made Billionaire Effect

pwc

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The new talent war: cultivating and keeping your value creators

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Since 1987, self-made billionaire wealth has grown more than three times faster than the world economy.[1] Yet in that same period, business leaders have struggled to find and pursue opportunities that bring breakthrough value. What do self-made billionaires do that is different?

To answer that question, we did deep-dive research on 120 billionaires and in-depth interviews with 16 of them. Our findings form the basis of our book, *The Self-made Billionaire Effect*.[2] We found that billionaire success lies in the ability to integrate ideas and actions that most individuals keep separate. This integrative ability shows up as five habits of mind that allow billionaires to function as *Producers*.

Most high-potentials have some Producer traits. But the modern corporation tends to discourage these characteristics and instead promote *Performers*, people who excel at optimizing established functions or processes. Many companies operate well with Performers at the helm. But when disruption arrives, the Performer focus can become a liability.

Having Producers in your firm can allow you to identify and capitalize on new opportunities. And not having them leaves you vulnerable.

The quick take

1. Who is most affected by this issue?
Companies in industries experiencing—or on the brink of—disruption. The billionaires in our study operated in 19 different industries worldwide.

2. What's the timeframe for taking action?
Now. Nearly 70 percent of respondents to our *17th Annual Global CEO Survey* said they were concerned about talent issues, and 25 percent did not pursue a clear opportunity in the past year because they believed they lacked the talent to take advantage of it.[3]

3.What's the most surprising takeaway?
More than 80 percent of self-made billionaires earned their wealth by disrupting highly competitive industries such as apparel, beverages, and hospitality.

1 John Sviokla and Mitch Cohen. 2014. *The Self-Made Billionaire Effect,* Portfolio Hardcover.
2 Ibid.
3 PwC , *17th Annual Global CEO Survey,* 2014.

At a glance

Most companies are out of balance when it comes to talent: their organizations are predominantly made up of Performers. Unlocking significant new value requires increasing the number of Producers, who bring to bear five distinct habits of mind.



Source: *The Self-Made Billionaire Effect*

01

How Producers think differently about ideas, time, and action

Ready for when the time is right

Many company leaders think in terms of the next quarter or fiscal year, but Producers demonstrate patient urgency and look beyond the short-term payoff.

10 years

Average time spent as an entrepreneur before breakthrough

Source: *The Self-Made Billionaire Effect*

The first three Producer habits of mind apply to the way they develop blockbuster ideas, their perspectives on time during the development process, and the actions they take to bring their ideas to market.

Consider these habits of mind as displayed by Joe Mansueto, founder of Morningstar, the investment research firm.[4] Mansueto was sitting at his kitchen table in 1982, reviewing a pile of mutual fund prospectuses. He realized selecting funds for his own modest portfolio would be a lot easier if he could order a single report and get comparisons of all available funds in one place. This thought sparked the idea for Morningstar.

1. Empathetic imagination

This anecdote provides an apt example of how the Producer exhibits empathetic imagination, which involves bringing deep understanding about the needs of the customer together with the ability to envision a new product or service that will fit those needs. Mansueto saw that the investing market was on the brink of change and knew from his own experience that change brought an untapped need for easy-to-use information. After the first insight, Producers continue to practice empathetic imagination to innovate and evolve their concepts.

2. Patient urgency

Ideas are vulnerable to time and timing. In the early 1980s, the mutual fund market was in its infancy, and Mansueto knew little about running an investment services business. Operating with patient urgency, he spent eighteen months working for two different investment services firms learning all he could about the industry. Then, when the market was ripe, he resigned from his salaried position, urgently launched Morningstar, and wrote the first edition of *The Mutual Fund Sourcebook*, his first publication evaluating mutual fund performance. By the time Mansueto delivered the first edition into the hands of customers—less than two years after he first had the idea—he was a more knowledgeable executive.

3. Inventive execution

Mansueto went on to develop Morningstar with the help of inventive execution, the ability to rethink the fundamentals of product or business design in order to deliver at scale. In contrast to most businesses, which leave behind inventiveness once a product idea is set, Producers remain willing to adjust the business model, pricing, target client, and deal structure. In the case of Morningstar, Mansueto designed his products from the outset for the individual investor at a time when investment information was exclusively targeted to professionals and institutions.

4 John Sviokla and Mitch Cohen. 2014. *The Self-Made Billionaire Effect,* Portfolio Hardcover.

02

The Producer's approach to risk and leadership

Pairing for profit

Producers don't go it alone; they seek complementary skills to help them realize the most value from ideas.



60%

of self-made billionaires built their businesses as part of a leadership partnership.

Source: *The Self-Made Billionaire Effect*

The fourth and fifth habits of mind address the unique way Producers think about risk and leadership.

4. Relative view of risk

The image of the entrepreneur as risk taker is so ingrained in business culture that we expected our study subjects to reveal a lifelong love of taking big risks with bigger payouts. But we saw no evidence that Producers are big risk-takers. Instead we observed that they are able to take a relative view of risk, meaning that they assess what they could gain compared with what they might lose. This stands in contrast to most people, whose view of risk is absolute, based on what they might lose.

Taking the relative view does not mean that Producers eschew risks. In Morningstar's first years, Joe Mansueto reportedly invested $250,000 of his own money in the business—an investment that he stood to lose in its entirety if the business failed. But he believed in his idea. "I knew at some level I could make this work," he explained. "Worst case, my parents would take me in. I never felt I was embarking on a risky venture. It didn't take a lot of capital. I wasn't married. I didn't have a family or a mortgage. Thinking about risk and things not working out doesn't come naturally to me. I think more about growing a company. I am a builder. I believe the risks are manageable." [5]

5. Leadership partnership

Taking the relative view of risk may also be easier for those who have the right people working with them to balance their skills. Around 60 percent of self-made billionaires we analyzed built their businesses as part of a leadership partnership: they found someone with the complementary skills needed to realize the most value from their blockbuster idea. Sometimes those partners form a founding duo, like Steve Jobs and Steve Wozniak of Apple, or John Paul DeJoria and Paul Mitchell of hair care company John Paul Mitchell Systems.

Joe Mansueto launched Morningstar alone, but quickly complemented his Producer skills with employees who had expertise in fund analysis and product design. Today, Mansueto has an executive team working with him. One important member is David Williams, Morningstar's managing director of design. It is not common for there to be a design director among a founding CEO's direct reports. The fact that Manuseto keeps Williams there as a Performer partner reflects the emphasis Mansueto places on the look, feel, and usability of the Morningstar product portfolio. Design, in his mind, is part of what allows Morningstar to deliver useful advice to the individual investor.

5 John Sviokla and Mitch Cohen. 2014. *The Self-Made Billionaire Effect,* Portfolio Hardcover.

03

Finding and growing the Producers in your organization

Where are your value Producers?
The R&D function isn't the only place for big ideas; casting a wide net helps you identify and develop the nascent Producers in your organization.



Three-quarters of the Producers we studied had direct sales experience. More than two-thirds had ownership of a P&L before age thirty.

Source: *The Self-Made Billionaire Effect*

Cultivating Producer talent requires shifting the organization from Performer-centric to Producer-friendly. The first step is to place the Producers you have in roles that require the five habits of mind.

This alone will require some organizations to change. As a rule, companies do a poor job of distinguishing between high-profile roles that require a leader to optimize a known space (a Performer) versus roles that require a leader to redefine or disrupt one (a Producer). In Performer-centric companies, all high-performing people look like Performers, and all roles look like Performer roles. Becoming friendlier to Producers begins with recognizing that all roles are not alike. Don't waste the Producers you have in jobs that better suit a Performer; and don't place Performers in roles that require Producers.

Once you know what you need, make sure you have the talent to draw on. Here are four strategies to do that:

Develop from within

Identify employees who are natural Producers, i.e., those who have created something new, like an entrepreneurial venture or social outreach project. Provide them with their next opportunity by putting them in charge of an initiative from inception through execution. For individuals who show special promise, consider giving them free time to pursue a new idea of their choosing.

Catalyst hires

Recruit individuals specifically to pursue new growth or capabilities. These "catalyst hires" should have the five habits of mind, which you can assess during the interview process.[6] Determine if the person is passionate about identifying and delivering on new opportunities, and just as important, how resilient he or she is in the face of failure.

Production partnerships

Fill your Producer gap by forming partnerships with organizations currently producing in a market space you view as strategic. Producer partnerships come in a variety of forms. Whether working more closely with suppliers, funding startups, or incubating skunks-works projects, companies can use the combined resources for an entirely new "Production."

Mergers and acquisitions

Pay attention to the people part of the M&A equation. All too often, companies put newly acquired Producers in Performer positions, driving those Producers to leave once they receive their promised payout. To prevent that from happening, determine who the Producers are before the deal closes and give them incentives to stay.

6 For sample interview questions see John Sviokla and Mitch Cohen. 2014. *The Self-Made Billionaire Effect,* Portfolio Hardcover. Page 176.

04

Build an environment for breakthrough-value creation

Win the real talent war

Your Producers are likely to leave the organization if you don't provide the opportunities and environment they need to thrive.

66%



of self-made billionaires surveyed worked in a large company before leaving to start their own business.

Source: *The Self-Made Billionaire Effect*

Steve Jobs, Steve Case, and T. Boone Pickens were self-made billionaires who left large corporations early in their careers to strike out on their own. The stories of these and dozens of other self-made billionaires make clear that it is not enough to have Producers in your organization—you need to take measures to ensure they thrive and will want to stay.

Promote Producers

If your most senior executives are Performers, and they in turn put only Performers in the most senior positions, then your organization is signaling that there is no room for Producers. To promote a Producer-friendly culture, you need Producers in high positions. Producers need to be on the executive team and on the board to approve new ideas and help construct a vision for the organization's role in a changing world. This is not an either-or proposition. Performers are still needed in senior roles, and as part of Producer-Performer leadership partnerships.

Develop the mindset in Performers

Also consider how to make your Performers even more valuable, both on their own and as Producer complements. Junior Performers should be given opportunities to develop their habits of mind. Not everyone will become a Producer, but everyone can get better at developing an integrative mindset.

Remove shame of failure

If your organization says it wants original thinkers, and then disparages those whose ideas fail, it is not alone. But if you want to build a Producer-friendly culture, this approach is untenable. Publicly laud Producers who make the attempt to build something new even if it doesn't ultimately succeed. Show greater tolerance for projects whose outcomes are uncertain but potentially huge. And be sure to give Producers some leeway—they may get it wrong before they get it right. But if a venture does in fact fail, cut it off. Don't keep the project and its Producer in limbo.

Nurture Producers

If you think you can manufacture miracles, you're mistaken. The creation of breakthrough value owes as much to serendipity as it does to planning. There is no way to ensure that a high-potential project will be successful. There is no playbook to follow. Each organization has to pursue opportunities as they arise. By hiring Producers and giving them the support they need, your company will more likely have the talent pool necessary to imagine and develop the ideas that lead to the creation of massive new value.

If you have more than 10 minutes

See our ideas in practice

Lynda and Stewart Resnick took the unknown pomegranate, packaged it as the antioxidant-rich super-juice drink and sold POM Wonderful to the masses thirsting for healthy beverages. Learn how the Resnicks and a select number of other entrepreneurs built super-successful businesses—many repeatedly—in the *strategy + business* article, "What Self-Made Billionaires Do Best."

Learn more about what this means for your own organization

Visit *The Self-Made Billionaire Effect* website.

Explore related reading

In *The Self-Made Billionaire Effect: How Extreme Producers Create Massive Value*, PwC's John Sviokla and Mitch Cohen identify five habits of mind that allow self-made billionaires to create value on a massive scale—habits that are in direct conflict with the traits and practices most businesses value and promote in their employees. Unleash your growth potential by learning to identify and keep the talent your business needs.

More than 80 percent of the self-made billionaires who are profiled in *The Self-Made Billionaire Effect* found success in mature industries that they reinvigorated. Find out if your industry is ripe for dematurity in the *strategy + business* article, "How Old Industries Become Young Again."

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