Speeches by Bob McTeer

Deep MBA Thoughts
Commencement Address for MBA Students
University of Georgia
May 11, 2001

Congratulations to all you "masters" of business—and thanks to your parents and other supporters here, who helped you reach this important milestone.

Also, congratulations for making the wise decision to attend graduation ceremonies. If you don't already know it, you'll soon learn how important rituals are to a successful career. And on a personal level, you need to create good memories. Later on, you will be your memories. And that's all you will be.

I'm glad to be back home for many reasons. For one thing, I got to eat a Varsity chili dog. It brought back old memories, but it's not the same as when the Varsity was just across the street from the arch.

Another reason I'm glad to be back is that it gives me a chance to commune with one of my muses—the late, great Georgia Bulldog Lewis Grizzard. I was reminded of Lewis because of his line "Chili dogs always bark at night." If you hear barking, that's what it is.

I was last here in April 2000, to honor one of my economics professors of the 1960s, David McCord Wright. I used one of his favorite sayings as the title of my remarks: "Growth Comes through Change and Causes Change." Professor Wright was right. Growth does cause change. I appreciate that more than ever after this past year.

In the first half of last year, economic growth exceeded a 5 percent annual rate. In the second half, it fell to 1.6 percent. The early estimate was 2 percent in the first quarter of this year. As Cole just indicated, you're finishing your MBA program in a very different economic environment than when you began it. Not only did your present change during that time, so did your future.

But I don't know whether your change of future was for better or for worse. And you don't either. We never know for sure what is good news and what is bad news. Waylon Jennings thought it was bad news when he gave up his seat on Buddy Holly's plane to the Big Bopper. I'm sure it seems bad to you now that you are graduating into an economy with the blues, but it could have been worse. You could have graduated last year and hooked up with a dot-com just when it was fixin' to crash and burn. *Fixin'* is a good word in both Georgia and Texas.

I'm optimistic for the long run. I'm still a new-paradigm, New Economy optimist. The new and improved, high-productivity, high-growth economy of the late '90s will be back. We are in an information economy, and no information has been lost. None of the new silicon recipes have been lost. Moore's law has not been repealed. The Human Genome Project has given us the recipe for humans, which will spawn miracles for the rest of our lives—and beyond. But while the recipe books have survived, they may be used by different cooks. Destruction, after all, is part of creative destruction. We may be in transition from "The early bird gets the worm" in the New Economy to "The second mouse gets the cheese." Maybe somebody moved your cheese while you were here. If so, you'll find more. If you haven't already, read *Who Moved My Cheese?*

The blues take many forms. When your milk cow runs off, you get the milk cow blues. When your girl or your guy runs off, you get the "Lovesick Blues," à la Hank Williams. What we've got now is the low-down, high-tech, fast-burn, my-venture-capitalist-doesn't-appreciate-my-business-plan-anymore Wile E. Coyote blues.

Wile E. Coyote—for those too young to remember—is the cartoon character who would chase the Road Runner to the edge of the cliff. The Road Runner always managed to stop, as Wile E. Coyote overran the cliff. But Wile never fell—until he looked down.

The tech bubble probably burst when someone looked down and saw—as we say in Texas—all foam and no beer. Actually, that's not correct. There was plenty of beer, but it did have too big a head on it. The beer at Allen's on Prince Avenue in the 1960s never had much head—I'm told—but you can't say that about the keg beer at the fraternity parties—especially late at night when irrational exuberance took over.

Hangovers are a predictable result of irrational exuberance, but they need not be fatal. The hair of the dog often helps and is certainly better than a mood swing to irrational pessimism.

I'm no management expert, but I gave a speech on the subject once, which I titled "Switches and Dials." You can find it on my web site. I'm a dial person myself. A switch is either on or off. It's all or nothing. Right or wrong. Black or white. Management issues never seem that clear-cut to me. I prefer to turn the dial and make decisions at the margin. A little less of this for a little more of that. Trade-offs, but not all-or-nothing trade-offs. A little bit country, a little bit rock 'n' roll.

I think my switches-and-dials analogy might also be useful in thinking about our economy, the stock market and perhaps even your careers. During the height of the hype—especially during 1999—the old rules and the old rules of thumb were thrown out the window. We went from "Profits are everything" to "Profits don't matter." Someone decided that volume mattered more, and stock prices responded accordingly.

When someone—probably someone like Warren Buffett—finally looked down and decided the king had no clothes on, he flipped a switch and back we went—determined to go *all* the way back, apparently.

If you haven't already, you should read *The New New Thing,* by Michael Lewis. It's about the culture of Silicon Valley. He also wrote *Liar's Poker* in the 1980s. In *The New New Thing,* Lewis tells how the center of the universe shifted from Wall Street in the '80s to Silicon Valley in the '90s. I appeared on a program with him last year, which for him was part of his book tour. He said a book tour is a lot like politics, but without the sex.

Anyway, Lewis dates the shift in the center of the universe to the creation of Netscape, which gave us a browser to surf the web. That was the technology part, in 1994. The financial shift came when Netscape went public in 1995, only 18 months after its creation and long before it made a dime. On the first trading day, the price of Netscape shares went from $12 to $48. Three months later it was $140. Quoting from *The New New Thing*:

In the frenzy that followed, a lot of the old rules of capitalism were suspended . . . it had long been a rule of thumb with the Silicon Valley venture capitalists that they didn't peddle a new technology company to the investing public until it had had at least four consecutive profitable quarters. Netscape had nothing to show investors but massive losses. But its fabulous stock market success created a precedent. No longer did you need to show profits; you needed to show rapid growth.

The rest—as they say—is history. The stock market was off to the races, especially high-tech stocks.

The following year, in 1996, Chairman Greenspan asked his famous rhetorical question about the possibility of irrational exuberance. A debate ensued about whether the exuberance was irrational or rational. Whichever it was, it continued. The Nasdaq gained 86 percent in 1999 alone, before peaking in March 2000 at over 5000. One of the old rules—apparently abandoned—was the one that said if something sounds too good to be true, it probably is.

But thinking in terms of dials rather than switches, does the discrediting of infinite price–earnings ratios because of zero earnings have to mean that they can't be *any* higher in the New Economy than in the Old Economy? There were—in my opinion—grains of truth in some of the rationales for higher valuations.

In many of the new technologies, up-front fixed costs are very high but marginal costs are very low, making volume your friend. In the New Economy, the first copy of the new thing is often very expensive to design and develop. But after that, all other copies—reproductions—are very cheap. Things like new software, movies, medicines or medical procedures. Rapid volume growth will move you down the long-run average cost curve so that with a head start, no one can catch you and compete on price.

That surely is worth something, albeit obviously not as much as the market thought. Surely a dial would be pointing somewhere between where we were in 1999 and 2000 and where we are now. We don't have to use a switch.

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I've used up almost 15 minutes of my allotted hour, and I haven't given you any advice yet. Old guys like me are always full of advice because our own kids never took any of it, so we have plenty left over. You'll find during your business life that advice is plentiful, but not cheap. And usually the more expensive it is, the more useless it is.

The singer Kenny Rogers got that kind of advice in his song "The Gambler": "You've got to know when to hold 'em, and know when to fold 'em." Yeah, but when do you hold 'em? And when do you fold 'em? See what I mean? That's the kind of advice you'll soon be buying from a consulting firm, for big bucks. Or maybe you'll be selling it.

I'll give you some usable advice: First, read skinny books. I know you'll keep reading fat books. Good, but let me urge you to read skinny books as well. By skinny books, I mean those that give you nuggets of wisdom—things you will know to be true as soon as you hear them the first time. For example, from Texas:

> Don't squat with your spurs on. (Actually, a book title as well as good advice.)
> Timing has a lot to do with the outcome of a rain dance.
> Always drink upstream from the herd.

Lewis Grizzard gave good advice when he cautioned us about eating barbecue in restaurants that also sell quiche. And try not to go camping with a guy who drinks whiskey sours.

Some more:

> Never confuse a memo with reality (a book title and good advice).
> Don't learn the tricks of the trade; learn the trade.
> Don't dress up as the chairman of the board on Halloween.
> Don't take the *Wall Street Journal* to the bathroom. (This one's from me. It's bad for your health.)
> Avoid being assigned more than a year to the human resources department.
> Never ask a barber if you need a haircut.

More seriously:

> Don't expect others to listen to your advice and ignore your example. (You have to walk your talk.)
> Praise in public; criticize in private.
> Criticize the action, not the person.

(See what I mean about knowing it is true as soon as you hear it?)

Now, some more of my own:

> Keep a journal. Write in it often. Just don't put anything incriminating in it.
> Write out your goals and your New Year's resolutions.
> List your strengths and weaknesses, and work on them.
> And very important, get out your calendar and write your goals on your calendar as activities. Goals are too ambiguous standing alone. Translate them into something you can schedule on your calendar.

You're probably tired of management advice from classes, but I can't resist just one piece of advice on becoming a good manager, from Casey Stengel: Separate the guys who hate your guts from those who are still undecided. In learning to lead, follow the advice of the Texas cowpoke and turn around every now and then to see if the herd is still back there. You can't be a leader without followers. Like the cowpoke, you may have to lead from the rear.

Don't swing for the fences. Go for singles and doubles and the home runs will take care of themselves. Going for the fences all the time leads to strikeouts. But by the same token, don't be too cautious. Don't play it too safe. A friend of mine has a radio show for small businesses. At the end of each show, he reminds his listeners that ships are safe in harbor, but that's not what ships are for.

Since many of you will end up working in Atlanta, I'll give you Ted Turner's recipe for business success: Early to bed. Early to rise. Work like hell and advertise. To that, my wife, Suzanne, would add—especially for you women—moisturize.

But remember that work and career and success aren't everything! As the late, great songwriter Roger Miller, put it, you can't roller skate in a buffalo herd, and you can't take a shower in a parakeet's cage. But you can be happy if you've a mind to. Have a mind to be happy!

Let me close with a serious thought: As a fellow Georgia Bulldog, I have a stake in your success, just as you have a stake in mine. So I really do wish you well. I hope I haven't done or won't do anything to hurt the prestige of your degree. I fully expect you to enhance the value of mine.

Remember, sincerity is the key. If we can fake that, we'll have it made.

Again, congratulations. Go Bulldogs!