

# GLA Selected Rules / Philosophies / Lessons Learned

**Overarching Principle: Always Do The Right Thing (even when no one is looking)**

## 1) Rule #1 – Never run out of cash

### STRATEGY

- 2) Solid, timely execution of a suboptimal strategy will dramatically outperform delayed, mediocre execution of an optimal strategy
- 3) Put your business strategy in writing and model the results with realistic inputs (and unfavorable sensitivities). If you cannot, you haven't thought it through enough.
- 4) Assess developments objectively and adapt, embrace critical thinking and avoid confirmation bias
  - a) Think For Yourself – challenge and verify
  - b) Acknowledge the distinction between what you actually know and what you think you know (or have “heard”)
- 5) Develop a habit of practicing foresight – identify and plan for alternative scenarios, especially ones where everything does not go your way.
- 6) Allow for success to take longer than you think it should and plan accordingly.
- 7) Be wary of business strategies that ignore fundamental business principles (gov't assistance, tax credits, abnormally high margins / low entry barriers, etc.).
- 8) Opportunistic strategies can work, but highly focused, fundamentally based and well-executed strategies work much more often.
- 9) If acquisitions are part of your business strategy, DO NOT underestimate the importance of integrating the assets, operations and people.
- 10) “It is better to learn from someone else's mistakes than to duplicate theirs just so you can call them your own.”
- 11) Know what your true cost of capital is.
- 12) Temporary use of a very high cost of capital may well be a better proposition than permanent or even extended use of capital with a lesser cost.
- 13) Growth for growth's sake only increases the size of your headache.

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### COMPETITION

- 14) Study the competition, not only their successes, but also their failures
- 15) Approach everything with a sense of urgency – at least one of your competitors will
- 16) Do not underestimate how low an incumbent service provider will go to retain existing / incremental business of their customers
- 17) If the attractiveness and/or fundamentals of an industry / segment improve meaningfully for existing companies, that sector will attract significant competition / capital ..... and margins will suffer (especially among the largest players)
- 18) Never underestimate the potential dramatic impact that aggressive, thematic capital can have on existing business or future opportunities.
- 19) Prior experience and detailed knowledge of business risks & complexities are not pre-requisites for financial sponsors and enthusiastic management teams to buy or build assets
- 20) In an over-capitalized market environment:
  - a) The fact that you “know” the business / environment is more complicated and risky than new entrants may understand is irrelevant to their enthusiasm
  - b) Superior industry knowledge/experience can be / often is a transactional disadvantage with respect to acquisitions and/or new projects
  - c) Recognize there is a big difference between “what could happen,” “what should happen” and “what will happen”
- 21) Regardless of true competitive advantages / disadvantages, once a high margin asset is built, it will be a competitive force (ultimately, variable cost mentality will impact competitors’ decision processes and actions)
  - a) A competitor significantly overpaying for a quality asset may make it a low return investment for them ..... not a bad asset ..... it will still compete effectively based on variable cost
- 22) Deal with irrational competitors, but remain committed to long-term fundamental business practices
  - a) *Financial markets with depth can ignore gravity for surprisingly long periods, but that doesn’t mean gravity doesn’t exist....it will show up and assert itself*
    - 1. *“The crisis takes a much longer time coming than you think, and then it happens much faster than you would have thought,” Rudiger Dornbusch, economist*

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### COMMUNICATION

- 23) Effective communication is CRITICAL, better to be told “yes” twice, than find out later there was a misunderstanding. When in doubt – ask / confirm.
- 24) Don’t choose to be ignorant. Instead, respectfully ask the sometimes difficult or uncomfortable, questions to seek important information / clarification that will / could enhance your understanding and / or the value of important decisions. (Often, you will find the questions you asked are the very ones that peers, subordinates and/or superiors wish they had asked)
- 25) Maintaining adequate communication and avoiding miscommunication is a never ending challenge.
- 26) Wherever possible – AVOID Pronouns! (explicit communication avoids confusion)
- 27) Consistent management of expectations is critical – under-promise & over-perform.
- 28) There is a HUGE difference between being busy and being productive – measure and pay for performance. (digging a hole and filling it up will keep you busy and make you hot, sweaty and appear you are working; but unless you planted something, dug something up or learned something in the process, you have not been productive/accomplished anything)
- 29) That which gets rewarded gets measured & managed.
- 30) The harder & smarter you work, the luckier you get or the more bad luck you avoid.

### RELATIONSHIPS

- 31) Working with smart, sincere, high-integrity teammates is a form of compensation that cannot be measured in a paycheck.
- 32) Build strong, lasting, mutually beneficial relationships – avoid transactional thinking.
  - a) Win/lose negotiations do not facilitate ongoing business relationships -- Win/Win negotiations do. Negotiate hard, but always do the right thing.
  - b) Regardless of the environment, treat your employees, equity owners, bankers and other stakeholders well and reward them fairly.
- 33) Trust is an on/off switch – you either have it or you don’t.
- 34) Full disclosure, transparency and accountability engender trust – in the long run, there are no secrets.
- 35) No amount of compensation or wealth is worth sacrificing your integrity or reputation.

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### GENERAL

- 36) When times get tough and stress gets really high (and it will); remember – “This is business, they won’t kill you or eat you.”
- 37) It is ok to make mistakes, just don’t make the same ones twice.
- 38) It is often true that a baby has to fall in order to learn how to walk.....just don’t let them learn to walk near the edge of the Grand Canyon.
- 39) Be humble, remember – “the only time a whale gets harpooned is when it comes up to blow.”  
.... that said, in the new world of the Internet, 24 hour “news” & instant media, “It is not only important to do the right things, but also to be able to demonstrate that you have done and are doing the right things.”
- 40) Dream, but not while you are driving.
- 41) If you are the leader and your head is in the clouds, make sure your second in command has meaningful authority, the strength to challenge you and that their feet are planted firmly on the ground (otherwise your leadership team may suffer from altitude sickness).
- 42) Make sure that no more than one person is ultimately in charge of an important mission or task – teamwork is great, but everyone’s responsibility is nobody’s responsibility – and when things go sideways (and they will), someone has to lead.
- 43) It is fine to argue and debate aggressively, as long as both sides are trying to get to the best / right answer. It is not ok if one of the parties is trying to win an argument. (If, through skill and persuasive argument I convince you that gravity (a business risk) doesn’t exist .....and then we both lock arms and step out of a ten story window, we have both lost.)
- 44) Always, always have a backup financing plan – life happens, often when you least expect.
- 45) Balance – find a way to go to that soccer game or little league baseball game – the work will still be there – your children may not (*very easy to say, very hard in practice*)
- 46) As long as you & your family are healthy & happy, all the other stuff is just noise.

### .....AND FINALLY

- 47) Always remember rule #1 -- Never run out of cash