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5 Best Business Lessons From Warren Buffett

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OMAHA, Neb. ([MainStreet](#)) -- From [Steve Jobs](#) to Warren Buffett, small-business owners can learn a lot from the leaders and innovators in big business.

Buffett, now 81 and entering his 47th year of running **Berkshire Hathaway** ([BRK.A](#)) as chairman and CEO, has had an impressive run.

Listed among the world's wealthiest people, Buffett (and right-hand man Charlie Munger) have transformed Berkshire Hathaway from a textiles business into an umbrella conglomerate owning dozens of companies spanning the property and casualty insurance sector, reinsurance, utilities, energy, freight rail transportation, finance, manufacturing, retailing and services.



Warren Buffett, in his 47th year of running Berkshire Hathaway, has become a role model for entrepreneurs.

Buffett has amassed stakes in many large corporations, including long-term ownership in **Coca-Cola** ([KO](#)).

He is admired by many, including many [readers](#) who [told us](#) are plenty of business lessons to be learned from Buffett.

"Being a good leader means to be able to have people follow towards a goal. He is doing that," says Josh Denton, president of [Denton Consulting Group](#) in Duluth, Minn.

We spoke with several leadership and management experts to get a sense of some of Buffett's attributes that could be followed by small-business owners.

1. Be motivational.

He may be the master at acquisition, but Buffett is also a "tremendous motivator," says Tom Shinick, a visiting associate professor at Adelphi University's School of Business with a focus on entrepreneurship and small-business management. "Most people view him as an investor, but what they don't realize is he is a master manager, because they own all of these businesses and they're all doing well."

Buffett recognizes the importance of continuity, particularly when it comes to corporate cultures, and even praises his CEOs and managers in his annual reports. It's the kind of approach that makes employees more likely to work harder, stay loyal and ensure goals are met.

>>They Just Don't Get Berkshire!

"[We] possess a cadre of truly skilled managers who have an unusual commitment to their own operations and to Berkshire," Buffett wrote in last year's annual shareholder letter.

"At Berkshire, managers can focus on running their businesses: They are not subjected to meetings at headquarters nor financing worries nor Wall Street harassment. They simply get a letter from me every two years and call me when they wish," he wrote. "Our trust is in people rather than process. A 'hire well, manage little' code suits both them and me."

2. Be willing to take an informed risk.

A key component to Buffett's staying power is the fact that he doesn't make uninformed decisions, observers say. While not all of his acquisitions have, at first, been home runs, none were made on a whim or without the best knowledge and information available at the time, observers say.

"Diversification of a business operation through adding a new division and or product line needs to be clearly thought out and understood," says Thomas Bonney, founder and managing director of [CMF Associates](#), a consulting firm to private equity portfolio companies and other small to midsize businesses.

Great leaders such as Buffett have "stick-to-it-iveness," says Nicholas Turner, co-CEO of executive search firm [Kaye/Bassman International](#).

"Although a lot of the decisions that he has made have been questioned or challenged, he obviously has a history of making decisions [within] peaks and valleys in the journey, ultimately being fruitful," Turner says.

Even when the grass got greener, Buffett has stayed the course, because he knew why he made that decision in the first place, Turner says.

"It's too easy for a small-business owner to let go of [their vision or goal] when the road gets rough ... whereas had they stuck to it because they had a logical and well-thought out plan, in the end the process would have been very successful," he adds.

3. Create a bottleneck.

Creating what Turner calls a "bottleneck" is typically viewed negatively, as in operational nightmare, but it can also be a positive thing for a business.

"A bottleneck is a consistent filter or screen," Turner says. "In Buffett's example, he is the decision-maker. All things flow through him or Charlie Munger."

To be sure, this isn't the same as being a micro-manager, something Buffett is most certainly not, but when it comes to final decision-making -- that's all Buffett.

"An organization can take advantage of a bottleneck through a core leader, or group of leaders, because he can make fast and finite decisions," Turner says.

Or a business owner may want to slow down the decision-making process so an organization doesn't get ahead of itself. "It can create or manage the pace that a company elects to grow at or make decisions, but it can also open the floodgates to grow," he adds.

4. Surround yourself with a trusted team.

Oftentimes small businesses, particularly start-ups, make decisions based on emotion. Having a central group of trusted confidants can help smooth the decision-making process for business owners.

Buffett's "core unit doesn't change," Turner says. "Few core people are let into his decision-making process. It can be construed as a negative. But I would disagree. I think that trust and experience is a key piece."

5. Admit mistakes and fix them.

Making a blind decision is not Buffett's style. "He does his own homework and he makes his own decisions," Shinick says. "He is someone that learns from his mistakes. He is not afraid to make a decision for fear of making a mistake."

Buffett also allows investors and followers to see the lighter side of being a business tycoon.

"When I took control of Berkshire in 1965, I didn't exploit this advantage," Buffett wrote in his shareholder letter last year. "Berkshire was then only in textiles, where it had in the previous decade lost significant money. The dumbest thing I could have done was to pursue 'opportunities' to improve and expand the existing textile operation -- so for years that's exactly what I did. And then, in a final burst of brilliance, I went out and bought *another* textile company. Aaaaaaargh! Eventually I came to my senses, heading first into insurance and then into other industries."

-- Written by Laurie Kulikowski in New York.

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