

Spring 5-1-2023

## Assessing Leadership in Business: A Critical Investigation of Warren Buffett

Jack Tubridy  
jacktubridy9401@gmail.com

Follow this and additional works at: [https://opencommons.uconn.edu/srhonors\\_theses](https://opencommons.uconn.edu/srhonors_theses)

---

### Recommended Citation

Tubridy, Jack, "Assessing Leadership in Business: A Critical Investigation of Warren Buffett" (2023).  
*Honors Scholar Theses*. 963.  
[https://opencommons.uconn.edu/srhonors\\_theses/963](https://opencommons.uconn.edu/srhonors_theses/963)

**Assessing Leadership in Business: A Critical Investigation of Warren Buffett**

Jack Tubridy

University of Connecticut

BUSN 4897W: Honors Leadership Seminar

Nell D'Auria

Liping Qiu

December 1st, 2022

## **Assessing Leadership in Business: A Critical Investigation of Warren Buffett**

At the age of eleven, most children spend their time making crafts or riding their bikes; Warren Buffett, on the other hand, was buying his first shares of stock. In his first job as a paperboy, Buffett recalls deducting his bike as a work expense on his tax return. In his early teens, he even started his own pinball machine business that managed to rake in weekly profits (*The evolution of Warren Buffett*, 2020). It's clear that from a very young age, he understood the importance of saving money and thinking about life with a business mindset. There are reasons as to why most refer to Buffett as the greatest investor of all time. However, Berkshire Hathaway would not have gone from a starting value of \$14.86 per share to a recent high of \$544,389.26 (*The evolution of Warren Buffett*, 2020) solely as a result of his ability to select and allocate investments. It is his exceptional leadership ability that differentiates him from other leaders in the business world. Buffett has had such tremendous success throughout his career and is universally regarded as a leader of the highest caliber on account of his personal integrity, superior relationship building skills, wise business approach, and incomparable commitment to his responsibilities.

### **Background**

Warren Buffett was born in Omaha, Nebraska in 1930. It wasn't long before he began to practice investing. He started numerous small businesses in his teens and eventually decided to pursue his interests in investing by enrolling in the business school at Columbia University. There, he attracted the attention of world-renowned investor, Benjamin Graham. Buffett's knowledge of the business world quickly expanded under the guidance of Graham who eventually offered him a job in 1954. Shortly after, he got serious about launching his own career path and started Buffett Associates Ltd. While acquiring and managing his first few partnerships,

Buffett met Charlie Munger, who would become his lifelong partner and friend. In 1962, he merged his assembly of partnerships into Buffett Partnerships Ltd (*The evolution of Warren Buffett*, 2020).

Perhaps the most significant moment in Buffett's early business track was his aggressive purchase of Berkshire Hathaway in 1963. He acquired the struggling textile mill for a very cheap price with the goal of making a quick profit, but, instead, he was locked into a failing business indefinitely when he could've used his cash flows elsewhere. Buffett regrets making this lousy investment and often considers it to be his "\$100 billion mistake" (Udland, 2015, headline), but this mistake permanently changed and solidified his business approach for years to come. He realized that he needed to start investing in companies that would be sustainable for the long run, rather than finding 'cigar-butt' companies that only provided 'one last puff' of profit (Chua, 2021, para. 14). It's no wonder that in the years following his purchase of Berkshire, that his company saw unimaginable returns. From 1965 onwards, Berkshire generated annual returns that doubled that of the S&P (Bary, 2022).

Today, at 92 years old, Buffett is still the chairperson and CEO of Berkshire Hathaway which has transformed from a failing textile mill into a immensely successful multinational conglomerate holding company. He continues to work with his lifelong friends, Charlie Munger and Bill Gates, whom he elected as a director for Berkshire in 2004. Buffett has led Berkshire to realize returns over the last 50 years of 1,826,163% (Udland, 2015). He has pledged to donate 99.9% of his net worth to philanthropy upon his passing (Terry College, 2001). He has inspired us to believe that success is possible for us all as he is entirely self-made and "has earned 99% of his wealth after age 50" (Mueller, 2015, para. 12). In any case, these statistics are a testament to the character traits, specifically the leadership qualities, that he exhibits. His approach to

leadership can be broken down into components that can help us derive what exactly it is that makes him so effective.

## **Leadership Overview**

### **Leadership Style**

In order to do a just evaluation of Buffett's leadership ability, there are two important frameworks for leadership analysis that need to be fully comprehended. The first is recounted in "Leadership That Gets Results" where the author categorizes leaders into six different styles based on certain characteristics that they display when circumstances dictate (Goleman, 2000). He emphasizes that the most effective executives are able to switch among leadership styles to adapt to situational changes as they arise. Buffett possesses the qualities of three of the four styles that have proven to have the most positive impact on employees. Most notably, Buffett epitomizes the *authoritative style* which is centered around mobilizing people towards a vision in order to inspire change. Second, he personifies the *affiliative style* which stands for building strong emotional bonds in order to reap the benefits of fierce loyalty. He also demonstrates the *democratic style* which is aimed at fostering participation to create team leadership. He needs to improve upon his *coaching style* of leadership which takes a focused approach on improving individual strengths and weaknesses and monitoring their performance.

### **Five Practices of Exemplary Leadership**

In *The Leadership Challenge*, the authors outline *Five Practices of Exemplary Leadership*. These are behaviors that can serve as a basis for becoming an exemplary leader (Kouzes & Posner, 2017) and this theory has proven its validity. The authors have observed real life examples that consistently demonstrate how effective leadership is an attainable capability for all through commitment to learning an important set of skills and abilities. The five practices

that will be mentioned throughout the study are *model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart*. As Buffett's specific character traits are examined, one will see how they tie in directly with these effective leadership styles and practices.

## **Leadership Characteristics**

### **Integrity**

Buffett is a firm believer that you can decide what kind of person you want to be. He refers to certain traits as being "self-selected", and that intelligence will get you nowhere if you lack moral uprightness (Terry College, 2001). If there is one "self-selected" value that Buffett preaches more than any other, it is integrity. The main message he wants to get across in all of his speeches is that "integrity comes first" (Larcker & Tayan, 2015, p. 4). He is not the only one who understands the importance of integrity, as the authors of "Crucibles of Leadership" consider integrity to be one of four essential leadership qualities (Bennis & Thomas, 2002). Integrity can be broken down into two parts: honesty and accountability. This is an overarching character trait that propels Buffett to inspire a culture of ethics, trust, and loyalty within his firm.

### ***Honesty and Transparency***

Ethical conduct of business is central to a company and its culture (Larcker & Tayan, 2015). He stresses the importance of conducting transparent business operations and making sure to always consider the ethics of every decision in order to put clients first. Unethical practices can ruin a business legally, socially, and financially. He proved that acting morally will always prevail over acting immorally in the case of the Salomon Brothers investment banking scandal.

Salomon Brothers, for which Buffett had been a board director, had been rigging Treasury bids. When they were caught, the CEO resigned, and Buffett took control in order to

remedy the situation. He realized that there was hefty corruption within firm leadership, employees and their families were suffering, and greed was being put before honest transacting. He made it his mission to reset the culture at Salomon Brothers. He made it clear to employees that if they “lose money for the firm, [he] will be understanding; [but if they] lose a shred of reputation for the firm, [...he] will be ruthless” (Udland, 2019, para. 6). The company had originally been banned from all future bidding, but thanks to the great trust that the Treasury had invested in Buffett, they allowed the firm to continue operations (Udland, 2019). Eventually, the firm became profitable again, their image was restored, and Buffett stepped down. He took a principled approach to a scandal and proved that honesty and openness can save even the most corrupt. This highlights his affiliative leadership style as he actively sought resolution to problems faced by his partners’ management team (Goleman, 2000). Buffett was regarded as a hero for his hard and honest work.

### ***Accountability***

After honesty, the second major part of integrity is accountability. This trait is particularly rare in CEOs (CB Insights, 2021). Many CEOs will place blame on others for issues they are responsible for, receive compensation while others suffer, and resign when times get difficult. For example, despite poor performance as CEO, Marissa Mayer made millions during her time at Yahoo, and walked away with a massive severance package after she resigned (CB Insights, 2021). The manner in which Buffett acts is the polar opposite.

Buffett always publicly apologizes for mistakes that his company makes. One moment that stands out is when he corrects himself for not taking full responsibility for a poor investment choice admitting, “biggest mistakes we’ve made, sorry, biggest mistakes *I’ve* made” (Terry College, 2001, 29:45). One notable mistake he made in his career was during the insurance crisis

in the aftermath of 9/11. Insurers had not priced in the risk of man-made mega-catastrophes. He admitted to breaking all the basic rules of running an insurance company acknowledging, “that was a huge mistake and one that I myself allowed” (Kelly, 2001, para. 2). Buffett apologizes to shareholders for not properly pricing insurance coverage after failing to see the risks that were exposed on 9/11. He admitted it will take time to remedy this situation, but he remains positive that Berkshire will find a way to prevail even in light of the tragedy. He reflects upon and learns from his failures, which is a crucial component of the *model the way* practice of exemplary leadership. By addressing this issue honestly and accepting responsibility for his carelessness, shareholders never lost trust in him and the situation was fixed efficiently.

According to Biddinger, accountability is essential for building trust, improving performance, and inspiring confidence (2016). The success Berkshire Hathaway has had can be attributed to the culture of dependability and commitment to honesty that Buffett effectively exhibits and inspires. He is keen to make sure his business partners share his sense of integrity. He reflects this in his actions every day, which speaks to his ability to *model the way* (Kouzes & Posner, 2017). He understands that demonstrating traits that you wish to see in others all the time is key to being a spectacular role model. He warns of the dangers of cutting corners, taking credit for other’s work, selfishness, and egotism (Terry College, 2001). He consistently leads his life by his values and nothing is more important to him than integrity within leadership.

### **Relationship Building**

Buffett’s ability to build and maintain relationships goes hand in hand with his outstanding character. He is devoted to his friends, work relationships, and shareholders. He knows that the people he surrounds himself with matter immensely. He does not want to disappoint the people who he cares about as he understands that they are depending on him. It is



a crucial skill to be able to create trust so relationships are enduring and prosperous (Biddinger, 2016). Throughout his life, he has made strong connections with good-natured, capable, and trustworthy people in both his personal and professional life which has shaped Berkshire into a well-functioning, supportive, and durable environment.

### ***Teamwork***

Oftentimes, a person's work relationships do not extend beyond the office. Buffett, Charlie Munger, and Bill Gates have not only worked together for decades, but the trio has become the best of friends. According to Buffett, his friends have helped him get new ideas, become a better version of himself, and have a tremendous amount of fun. Buffett stresses the importance of working with people that you both admire and enjoy so you can move in the direction of their better behavior (Martin, 2018). This goes both ways as Gates says Buffett has taught him lessons about thinking long-term and approaching situations logically and Munger says Buffett has helped him become a wiser decision maker.

It is clear that Buffett is able to create meaningful, long-lasting, and mutually beneficial relationships. His ability to inspire a reassuring work environment brings out his affiliative style of leadership (Goleman, 2000). McKinsey authors consider being supportive as one of the top four most important leadership qualities a manager can have (Feser et al., 2015) and his relationships with his friends and colleagues are clear evidence of how sympathetic relationships can go a long way. By building upon each other's perspectives and values, the trio has spearheaded an organizational climate of empathy, respect, and support at Berkshire.

### ***Empathy***

Relationships at Berkshire are tight knit due to the utmost commitment Buffett has for his shareholders. He treats his shareholders like partners explaining, "I don't look at them as

shareholders... They're going to be my partners for life... I don't want them to be disappointed in me" (Terry College, 2001, 33:45). This statement highlights his dependability which is a quintessential for anyone in a leadership position (Frei & Morriss, 2020). It is important to be able to organize goals and equally important to follow through with action. His reputation for fully dedicating himself to his shareholders is unmatched. This is a clear indicator of the *enable others to act* practice of exemplary leadership in use (Kouzes & Posner, 2017). He always puts his shareholders' interests before his own and this is why his relationships are so long lasting and successful. He also illustrates the authoritative style of leadership here through the use of empathy and understanding around team member's needs (Goleman, 2000).

For the reasons above, Buffett's democratic leadership style is revealed, as well, (Goleman, 2000) as he creates a sense of equality between himself and his shareholders. There is no employee hierarchy imposed at Berkshire rather everyone works together as partners. He creates a harmonious work environment since he values his team member's more than rigid tasks and goals which reflects his affiliative style of leadership (Goleman, 2000). He creates bonds with his business partners that will last through stressful circumstances when other companies may fall apart due to fragile, surface level relationships.

### ***Selflessness***

Berkshire shareholders appreciate their CEO because of the praise and recognition that he gives them. It is uncommon for CEOs to praise their employees. Many employers solely rely on compensation as a reward for hard work (Mook, 2021) whereas Buffett provides emotional and financial rewards. He offers extraordinary praise for extraordinary results in his 1977 letter to shareholders:

It is commonplace, in corporate annual reports, to stress the difference that people make...there is no question that the nature of the insurance business magnifies the effect which individual managers have on company performance. We are very fortunate to have the group of managers that are associated with us. (Allen, 2012, para. 47)

In all of his famous annual letters to shareholders, he tells his partners how proud of them he is.

Taking time to recognize how each individual has a direct impact on company performance is a crucial component of the *encourage the heart* practice of exemplary leadership (Kouzes & Posner, 2017). The benefits are visible as a survey conducted by Harvard Business School Publishing found that “63% of employees who are recognized are very unlikely to pursue a new job” (Mook, 2021, p. 3). The positive and cohesive climate at Berkshire is yet another reason as to why it is such a desirable company to work for.

### **Business Approach**

In order to fully understand why Berkshire has achieved such great success, Buffett’s approach to business certainly must not be overlooked. Many life lessons can be learned from studying his management style, investment decision making process, and philanthropic endeavors. His personal values, which include temperance, risk aversion, patience, and generosity, are often reflected in his business decisions.

### ***Temperance***

Buffett values temperance over intelligence. He often emphasizes staying within his “circle of competence” (Terry College, 2001, 14:08), which he defines as a sphere of business that he fully understands. He feels that many people will invest outside of their “circle of competence” in complex businesses that they do not understand purely because of expectations of profits. He believes that these attempts are motivated by greed, which is one of the worst traits

a leader can have (Wilke, 2018). To him, it is smarter to invest in businesses that have good fundamentals and sustainable competitive advantages rather than to get distracted by prices. An important aspect of the *model the way* practice of exemplary leadership (Kouzes & Posner, 2017) is sticking to what you know. Buffett is also able to *challenge the process* as he avoids the hype of the crowd and rather resorts to the facts; to him, understanding the core of what drives a business to success is more important than undertaking risky and unclear ventures for profit. His self control helps him sustain long-term profitability, limit his mistakes, and set a good example.

### ***Risk Avoidance***

One would think that for Berkshire to achieve such exponential growth that a substantial amount of risk must have been involved; this is far from the truth. Buffett refuses to lever with debt, is unwilling to try unfamiliar approaches, and always makes sure to diversify. He feels that raising debt and seeking excessively high returns is a gamble and he does not want to risk his shareholder's investments. He displayed his risk aversion when he closed his limited partnership in 1969. For over a decade, Buffett Partnerships Ltd. received 24.5% annual compound return (Jacobs, 2022), yet he still decided to shut down operations. He did not see likelihood for high returns again and claimed he was running out of great ideas. His high IQ did not prompt him to make this decision, but rather his moral character (Jacobs, 2022); he did not want to step out of his comfort zone in search of high returns with the risk of losing his shareholders' finances. His goals are clear; he wants to maximize shareholder value and protect them from losses through the investment in safe and enduring companies. Clarifying and prioritizing goals is a key aspect of the authoritative style of leadership (Goleman, 2000). He knows he needs to be the best at finding undervalued companies that can grow his conglomerate's wealth for his shareholders.

### ***Patience***

When it comes to finding which businesses to acquire, Buffett looks at things with a long-term perspective. He is patient, uses good judgment, and thinks logically. He looks for essential businesses that can strategically grow value far into the future. He demonstrated his conservative nature in 2000 during the dotcom bubble. Investors, caught up in the euphoria and potential of the Internet, rushed to buy tech stocks that were exciting without thinking about their long term value (CFI Team, 2022). Buffett did not let his emotions get the best of him. He performed an objective analysis, realizing that most of these companies were overvalued and held little promise of stability, and he successfully avoided the burst of the bubble and its accompanying losses. Being able to look into the future when working with his partners is a critical piece of the affiliative style of leadership (Goleman, 2000). He focuses everyone's efforts on long term growth and is able to *inspire a shared vision* by constantly staying in touch with his morals (Kouzes & Posner, 2017). He turns others' dreams of extreme wealth into reality by teaching them a disciplined thought process and sensible outlook on company valuation.

He stands out in the world of investing because his end goal is not to be super wealthy; he simply wants to secure returns for his shareholders. Moreover, he feels people are often motivated by greed and will try to predict price movements looking for quick profits (Mueller, 2015). He promises that constant diversification and buying stocks to own them will fare much better in the long run than speculating. The success of his strategy speaks for itself. The original purchase price of Berkshire stock was \$14.86 (*The evolution of Warren Buffett*, 2020) and now, Class A stocks trade regularly above \$400,000, peaking at a recent all time high of \$539,180. Buffett "challenges the process" as he puts in the work to outperform the baseline (Kouzes & Posner, 2017); Berkshire consistently outperforms the S&P 500. He is also constantly diversifying through acquisitions of smart and innovative investments. He effectively

“encourages the heart” through the creation of visible value (Kouzes & Posner, 2017) which reminds investors of the rewards they can derive by choosing to work alongside him.

### ***Philanthropy and Generosity***

The final aspect of Buffett’s business approach that should be investigated is often overshadowed. His philanthropic endeavors do not get as much press as his investment endeavors but they are a vital part of what make him such an outstanding leader. It is his opinion that everyone deserves to have a healthy, fulfilling life and he is optimistic that a world like this is possible (Suzman, 2021). Since 2006, he has been making yearly gifts of billions of dollars of Class B Berkshire shares to the Bill and Melinda Gates Foundation. His donations have accumulated to over \$36 billion (Suzman, 2021), all of which goes to the fight against poverty, illness, and inequality. He has also pledged to donate almost all of his assets to numerous trusted advisors that he has appointed over time whom he feels will handle his money the right way when he is gone. He humbly proclaims, “as far as I’m concerned, I got it from society, it’s going to go back to society” (Terry College, 2001, 42:49).

Buffett is making an effort to set the “tone at the top” (Allen, 2012, para. 11). He wants a culture of generosity to exist at Berkshire. He stresses the importance of using one’s wealth to do good. The results of his efforts are visible. He has helped millions of people lift themselves and their families out of extreme poverty globally, has advanced education opportunities for low income and minority students, and has helped to save literally millions of lives through the provision of life-saving vaccines and treatments that offer protection from deadly diseases like HIV, TB, and malaria (Suzman, 2021). He has inspired so many others to think philanthropically. In fact, multiple billionaires who have pledged to give away at least half of their wealth to philanthropic causes have remarked that Buffett has been one of their primary

motivators (Clifford, 2017). He effectively “models the way” by living the way he wants others to live (Kouzes & Posner, 2017). Despite his immense wealth, he goes to extensive lengths to both live affordably and act charitably so as to produce more value for others.

### **Commitment**

Berkshire is constantly adapting to times and pushing to be the best that it can be. This can be traced back to the work ethic and personal responsibility that Buffett embodies at the head of the organization. He instills a workplace culture of dedication and drive that is seen throughout all levels of his company. He is in control of an array of subsidiary firms, and he takes an unconventional approach to managing them (Larcker & Tayan, 2015). He prefers to run the businesses with a hands-off approach, giving his managers a high degree of freedom and trust. To some, this may seem risky, but the reason this works at Berkshire is because he establishes a system of trust that fosters personal responsibility and initiative.

### ***Democracy***

Berkshire has owned, and continues to own, a variety of companies including McDonald's, Geico Insurance, and Bank of America. Buffett devotes much of his success from over the years to the CEOs and team members that he has worked with. As mentioned, he takes an atypical approach to how he runs his businesses; he only interferes with managerial decision-making when he feels it is absolutely necessary. At the moment, top managers of approximately 60 separate businesses report directly to Buffett (Allen, 2012), and according to them, he seldom monitors their operations, finances, and staffing. He analyzes their results, yet chooses not to intervene because he feels tight controls and constant oversight will leave modern companies worse off. He does not want to deliver a message of mistrust within Berkshire through strict regulation; he would rather give full responsibility of ownership to the sensational leaders that he

has chosen to administer his subsidiaries. It has been validated that having a sense of accountability and ownership correlates to increased confidence and appreciation of your own work (Biddinger, 2016). When employees are proud of their own accomplishments, it leads to increased workplace happiness and productivity. He understands the importance of individuals making commitments to their roles and he lets them know that he appreciates their work and trusts them to run their own operations.

Buffett is selective about who he partners with, making sure to understand their goals and values before putting them in control. After thorough vetting, he provides all of his resources to his chosen leaders so that they can succeed. He puts his utmost effort forward to support his partners and effectively “enables others to act” (Kouzes & Posner, 2017) by creating a democratic system that allows everyone to work to their strengths and voice their opinions. The opposite of this form of leadership is bureaucratic leadership which is defined as a system of management that follows a hierarchy where official duties are fixed (Hamel, 2014). Buffett and Munger feel strongly that this form of leadership is a means to the downfall of organizations, asserting “arrogance, bureaucracy, and complacency...lead to decay of all very large organizations” (Martin, 2018, p. 3); sources would agree. In a survey of global business leaders conducted by Harvard Business School, reports showed that the second most important leadership quality that a CEO can express, the first being integrity, is the capability to empower others to self-organize (Giles, 2016). This implies that leaders should designate goals and objectives with loose guidelines and direction which is exactly what Buffett aims to achieve with his management style. It is no small feat for an organization as large as Berkshire to have so little bureaucracy and politics entrenched in their corporate structure which is a testament to the mobility and flexibility that he has inspired here.



His ability to decentralize leadership calls attention to his authoritative leadership style. He has a “come with me, I know where we are going” attitude (Goleman, 2000, p. 7) rather than a strict, totalitarian grip on his constituents. His managers are highly trusted and given complete independence to run their businesses as they see fit. In a 2015 survey, CEOs of Berkshire operating subsidiaries reported having considerable autonomy and observing minimal oversight from headquarters, one manager citing, “no one else gives a company this kind of freedom” (Larcker & Tayan, 2015, p. 6). His CEOs strongly believe that no other corporate owner would offer them a comparable degree of autonomy in running their businesses. The success of his unparalleled system is evident in countless business endeavors he has undertaken. For example, he doubled the revenue of Buffalo Evening News in under five years after purchase (*The evolution of Warren Buffett*, 2020) and shortly doubled Coca Cola’s stock price only three years after purchase (Bary, 2022). He has confidence that his modernized and unorthodox methods of operation can move his team towards shared goals, and he has proven that he can transform his business acquisitions into cash cows.

### ***Initiative***

If Buffett sees a prospective business opportunity, he capitalizes on it. He persistently emphasizes that “mistakes of omission are more harmful than commission; big opportunities in life have to be seized ... you’re not going to get 500 great opportunities” (Terry College, 2001, 31:05). He understands that opportunities must be seized; specifically, those within his “circle of competence” (Terry College, 2001); these are the ideas that one has the capability to make something great out of and they simply cannot be passed over which speaks to his ability to *challenge the process* (Kouzes & Posner, 2017). He took initiative while others were passive during the acquisition of American Express. He remembers, “I didn’t know anything about credit

cards that [others] didn't know... but what I did have was an intense interest and I was willing, when I saw something I wanted to do, to do it" (Buffett, 1991, p. 6). He encourages self-motivation and drive within his organization; this illustrates his authoritative style (Goleman, 2000). Time and time again, he shows the importance of acting with initiative, especially when at the steering wheel of a company in order to set a good example.

### **Recommendations**

Evaluating a leader with over 50 years of experience as CEO, that is as introspective as he is, makes it a difficult process to pinpoint a lapse in Buffett's character or a flaw in his business model. He has faced many setbacks including stock market crashes and other financial crises, but he has always persevered, sometimes even prospered, where others have crumbled. Over time, he has admitted to making errors as small as purchasing underperforming airline stocks (Fontinelle, 2022) or as large as ignoring basic rules of finance during critical economic eras (Kelly, 2001), but he always strives to learn from his mistakes. From my perspective, he could more efficiently make personnel changes and tighten his control over his subsidiaries.

### **Averse to change**

Buffett is both slow to manage personnel and make applicable changes when necessary. He is sluggish to adapt especially when a well-liked subsidiary leader is underperforming. Munger and Buffett specifically recall hiring a great friend, confessing that it was hard to let him loose when he wasn't measuring up to standards (Mathews, 2014). Some may argue that, though his relaxed leadership approach has its positives, occasionally too much leniency in the wrong hands can be a mistake. The culture of implied trust at Berkshire could come at the expense of potentially putting too much confidence in an inadequate manager.

He has a hard time firing subsidiary managers and telling them what to do (Umoh, 2018). Buffett would be a more effective leader if he improved upon his coaching style of leadership (Kouzes & Posner, 2017). He doesn't necessarily have to become a disciplinarian, but more frequent check-ins with management could be beneficial. This will help him better acknowledge the needs of his companies that may be struggling which he thinks have much greater potential. He can work with them more closely so they can each improve.

Buffett counters this argument by carefully selecting who he puts his trust in. He always ensures that he hires the most extraordinary and motivated leaders; this is why his results have been so much better than the rest of the worlds'. Berkshire is able to run very lean with a limited corporate staff at headquarters (Mathews, 2014) and managerial changes are not necessary often. He believes, "working for a micromanager can be a suffocating experience" (Umoh, 2018, p. 4). Though it does present potential for complications, the benefits of this system of deserved trust outweigh the costs.

### **Permissive**

It can also be argued that permitting too much freedom to subsidiary management is careless behavior. Lack of strict control over individual departments could lead to drawbacks. Financial freedom has been proven to be beneficial (Mathews, 2014), however, in turn, top level management will never have the full scope of what subordinate management has been doing with account balances leading to an overall lack of clarity. Sanctioning too much autonomy could lead to "overtrust" where subsidiaries can abuse their trust, retain more earnings than necessary, and make bad investments (Mathews, 2014, p. 2). In Buffett's case, he will have no direct insight into operations or finances of his holding companies.

Buffett needs to take more of a hands-on approach to subsidiary management. An equilibrium needs to be found between tight monitoring and beneficial checks and balances. He has admitted that, “if we had executed a sweep account for all our subsidiaries some years ago we'd have a few more dollars now” (Mathews, 2014, p. 2). Sweeping balances and extra supervision over certain accounting and managerial practices could help avoid discrepancies and flaws. If he improves his coaching style of leadership and takes an individualistic approach it would not interfere with trusting relationships, rather, it would limit unforeseen mistakes that may have been out of his control otherwise.

On the other hand, this doesn't measure the unseen good that freedom has accomplished for his managers. Buffett argues that this leeway empowers operating managers and makes them more likely to be motivated and effective. Though more stringent supervision and direct coaching would help pinpoint a few minor things that they have missed that have led to negative outcomes, it would disrupt the culture of trust that Berkshire has been building for half of a century. Harvard Business agrees, contending “businesses are, on average, far less adaptable, innovative, and inspiring than they could be” (Hamel, 2014, p. 1) if they do not promote a sense of self-organization. He cares far more about sustaining mutually beneficial relationships than micromanaging his employees every moves.

### **Conclusion**

The effectiveness of Buffett as a leader can be seen in every aspect of his work and personal life. At 92 years old, he still maintains an intense drive to achieve, a willingness to provide for others, and a never-ending desire to learn. He teaches us lessons about generosity, humility, and accountability. He warns us of the dangers of haste, greed, and impulsivity. Above all, he urges us to avoid making exceptions to living and working morally. By making it his

mission to lead by his values consistently, he inspires his friends, colleagues, and shareholder's to do the same. There is no doubt in my mind that Buffett has set the highest standards for leadership and we can all benefit from studying his leadership capabilities.

## References

- Allen, S. (2012, July 11). *Warren Buffett: corporate manager and motivator extraordinaire*. Investors Friend Inc. <https://www.investorsfriend.com/buffetts-management-talent/>
- Bary, A. (2022, April 29). *Berkshire Hathaway stock could drop 99% and Buffett would still beat the S&P 500*. *Barron's*. <https://www.barrons.com/articles/5-active-mutual-funds-long-term-51665094826>
- Bennis, W., & Thomas, R. (2002, September). *Crucibles of leadership*. *Harvard Business Review*.  
<https://hbsp.harvard.edu/download?url=%2Fcourses%2F969867%2Fitems%2FR0209B-PDF-ENG%2Fcontent&metadata=e30%3D>
- Biddinger, M. (2016, January 27). *The importance of accountability*. Cedarville University. <https://www.cedarville.edu/-/media/Files/PDF/Student-Life-Programs/CU-Lead-301/CULEAD301TheImportanceofAccountabilityMrMarkBiddinger.pdf?la=en&hash=99E66A316C10B9D3C22757BA2F831462C3BC3B2D#:~:text=Accountability%20eliminates%20the%20time%20and,activities%20and%20other%20unproductive%20behavior.&text=When%20you%20make%20people%20accountable,them%20to%20value%20their%20work.&text=When%20done%20right%2C%20accountability%20can,team%20members'%20skills%20and%20confidence.>

Buffett, W. (1991). *Three lectures by Warren Buffett to Notre Dame faculty, MBA students and undergraduate students*. Tilson Funds.

<https://www.tilsonfunds.com/BuffettNotreDame.pdf>

CB Insights. (2021, March 10). *28 lessons from Warren Buffett's annual letters to shareholders*. <https://www.cbinsights.com/research/buffett-berkshire-hathaway-shareholder-letters/>

CFI Team. (2022, January 21). *Dotcom bubble*. CFI Education Inc.

<https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/dotcom-bubble/>

Clifford, C. (2017, May 31). *Why Warren Buffett is such an influential leader according to data*. CNBC. <https://www.cnbc.com/2017/05/31/14-billionaires-signed-bill-gates-and-warren-buffetts-giving-pledge.html>

Chua, J. (2021). *Cigar butt investing: your ultimate guide*. Net Net Hunter.

<https://www.netnethunter.com/cigar-butt-investing-ultimate-guide/>

Feser, B., Mayol, F., & Srinivasan, R. (2015, January 1). *Decoding leadership: what really matters*. McKinsey & Company. <https://www.mckinsey.com/featured-insights/leadership/decoding-leadership-what-really-matters>

Fontinelle, E. (2022, April 21). *Warren Buffett's biggest mistakes*. Investopedia.

<https://www.investopedia.com/financial-edge/0210/buffetts-biggest-mistakes.aspx>

Frei, F., & Morriss, A. (2020, June). Begins with trust. *Harvard Business Review*.

<https://hbr.org/2020/05/begin-with-trust>

Giles, S. (2016, March 15). The most important leadership competencies, according to leaders around the world. *Harvard Business Review*. [https://hbr.org/2016/03/the-most-](https://hbr.org/2016/03/the-most-important-leadership-competencies-according-to-leaders-around-the-world)

[important-leadership-competencies-according-to-leaders-around-the-world](https://hbr.org/2016/03/the-most-important-leadership-competencies-according-to-leaders-around-the-world)

Goleman, Daniel. (2000, April). Leadership that gets results. *Harvard Business Review*.

<https://hbsp.harvard.edu/download?url=%2Fcourses%2F969867%2Fitems%2FR00204-PDF-ENG%2Fcontent&metadata=e30%3D>

Hamel, G. (2014, November 4). Bureaucracy must die. *Harvard Business School*

*Publishing*. <https://hbr.org/2014/11/bureaucracy-must-die>

Jacobs, D. (2022, June 2). *Why Warren Buffett decided to close his investment*

*partnership in 1969*. FinMasters. [https://finmasters.com/warren-buffett-decided-to-close-](https://finmasters.com/warren-buffett-decided-to-close-his-buffett-partnership/)

[his-buffett-partnership/](https://finmasters.com/warren-buffett-decided-to-close-his-buffett-partnership/)



Kelly, H. (2001, November 20). *Buffett's response to September 11*. Morningstar.

<https://www.morningstar.com/articles/5695/buffetts-response-to-september-11>

Kouzes, J. M., & Posner, B. Z. (2017). *The leadership challenge*. John Wiley & Sons, Incorporated.

Larcker, D., & Tayan, B. (2015, December 14). What it's like to be owned by Berkshire Hathaway. *Harvard Business Review*. <https://hbr.org/2015/12/what-its-like-to-be-owned-by-berkshire-hathaway>

Martin, E. (2018, May 8). *How Warren Buffett, Charlie Munger, and Bill Gates work together*. CNBC. <https://www.cnbc.com/2018/05/08/how-warren-buffett-charlie-munger-and-bill-gates-work-together.html>

Mathews, B. (2014, May 17). *Warren Buffett admits his biggest weakness*. The Motley Fool. <https://www.fool.com/investing/general/2014/05/17/over-trusting-buffetts-self-admitted-weakness.aspx>

Mook, M. N. (2021, March). Good leaders acknowledge their employees often. *Harvard Business Review*. <https://hbr.org/sponsored/2021/03/good-leaders-acknowledge-their-employees-often>

Mueller, L. (2015, March 10). *These 12 qualities help explain why Warren Buffett is so successful*. Insider. <https://www.businessinsider.com/12-financial-experts-explain-why-warren-buffett-is-so-successful-2015-3>

Suzman, M. (2021, June 23). *Warren Buffett philanthropy*. Bill & Melinda Gates Foundation. <https://www.gatesfoundation.org/ideas/articles/warren-buffett-philanthropy>

Terry College of Business at the University of Georgia. (2001, July 18). *Terry Leadership Speaker Series: Warren Buffett, Chairman, Berkshire Hathaway Investment Group*. [Video]. YouTube. <https://www.youtube.com/watch?v=2a9Lx9J8uSs>

*The evolution of Warren Buffett's career from 1936 to 2013*. (2020, March 3). Old School Value. <https://www.oldschoolvalue.com/investing-strategy/warren-buffett-career-timeline-investments/#>

Udland, M. (2015, February 28). *Warren Buffett's \$100 billion mistake*. Insider. <https://www.businessinsider.com/warren-buffetts-100-billion-mistake-2015-2>

Udland, M. (2019, April 30). *This is the moment America met Warren Buffett*. Yahoo. [https://www.yahoo.com/video/moment-america-met-warren-buffett-115906138.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAAFc3F2GzrZw-PYL6NR\\_5p4H4yjBGYPllotGXYguR9B6b8pY6mODzi9SOTITk5cQzOMZHm83SndX](https://www.yahoo.com/video/moment-america-met-warren-buffett-115906138.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAFc3F2GzrZw-PYL6NR_5p4H4yjBGYPllotGXYguR9B6b8pY6mODzi9SOTITk5cQzOMZHm83SndX)

[7Esi3jKGT\\_q5pY3-](#)

[4HC74l4rQ26eogaTVWAFdYscHIOFqL280lrB9fkzCwSnvzfL4LyzHPzKHK8eUQWg9](#)

[lveq773rNHAKf](#)

Umoh, R. (2018, June 29). *Here's Warren Buffett's biggest weakness*. CNBC.

<https://www.cnbc.com/2018/06/28/heres-warren-buffetts-biggest-weakness.html>

Wilke, F. (2018, April 12). Greed leads to destruction. *Experteer*.

<https://us.experteer.com/magazine/greed-leads-to-destruction/>