

The presenting sponsor of this episode is Tiny.  
Tiny is the easiest way for you to sell your business.  
They provide straightforward cash exits for founders.  
They can do deals of all sizes.  
They bought businesses in the past  
for as little as a million dollars  
and some businesses for over a hundred million dollars.  
Tiny has been called the Berkshire Hathaway of the internet.  
The founders, Andrew and Chris have spoken about  
how the thinking of Warren Buffett and Charlie Munger  
has influenced the way that they are building Tiny.  
Stick around to the end of this episode.  
The last six minutes is actually a masterclass  
on product differentiation from Warren Buffett.  
I compare the ideas that Warren writes about  
in his shareholder letters to Tiny's approach  
to building their business.  
Selling a business is usually a headache and a hassle.  
Selling to Tiny is the opposite.  
The process of selling your business is very straightforward.  
You get in touch with Tiny by going to [tiny.com](http://tiny.com).  
You get a response within 48 hours.  
They'll make an offer within seven days  
and they close within a month  
and you get a bag full of cash.  
If you have a business that you wanna sell now  
or in the future, make sure you go to [tiny.com](http://tiny.com).  
And one more quick thing, do me a favor.  
Whatever podcast player that you're currently  
listening to this on, search for invest like the best  
and follow that show.  
And once you do that, listen to episode 318,  
Doug Leone, Lessons from a Titan.  
The episode was so good that I listened to it twice.  
Here's my favorite quote from the episode.  
You can tell that Doug has founder mentality.  
He says, we were killers.  
I wanna make sure that you know that.  
We were killers, not killers to make the most money.  
Killers to get the job done.  
I have always believed that each man makes his own happiness  
and is responsible for his own problems.  
It is a simple philosophy.  
I find that it functions as well for me now

that I'm a multimillionaire as it did  
when I was selling paper cups for \$35 a week  
and playing the piano part time  
to support my wife and baby daughter.  
It follows that a man must take advantage  
of any opportunity that comes along.  
And I've always done that too.  
After 17 years of selling paper cups,  
I saw opportunity appear  
in the form of a milkshake machine called the multi-mixer.  
And I grabbed it.  
It wasn't easy to give up security  
and a well-paying job to strike out on my own.  
My wife was shocked and incredulous.  
Yet I was alert to other opportunities too  
when I heard about an incredible thing  
that was happening with my multi-mixer out in California.  
I kept getting these calls  
and the message was always the same.  
I want one of those mixers of yours  
like the McDonald brothers have out in California.  
I got curious, who were the McDonald brothers  
and why were customers picking up  
on the multi-mixer from them  
when I had similar machines in lots of other places?  
So I did some checking and was astonished to learn  
that the McDonald's had not one multi-mixer,  
not two or three, but eight.  
The mental picture of eight multi-mixers  
turning out 40 shakes at one time  
was just too much to be believed.  
So I flew out to California to check for myself.  
Something was definitely happening here.  
The cars began to arrive and lines started to form.  
Soon the parking lot was full  
and people were marching up to the window  
and back to their cars with bags full of hamburgers.  
Eight multi-mixers turning away one time  
began to seem a lot less far-fetched  
in light of the steady procession of customers.  
I went over and introduced myself to Mac and Dick McDonald.  
They were delighted to see me.  
Mr. Multi-Mixer, they called me  
and I warmed up to them immediately.

We made a date to get together for dinner that evening  
so they could tell me all about their operation.  
I was fascinated by the simplicity and effectiveness  
of the system they described that night.  
Each step in producing the limited menu  
was stripped down to its essence  
and accomplished with a minimum of effort.  
That night in my motel room,  
I did a lot of heavy thinking  
about what I've seen that day.  
Visions of McDonald's restaurants  
all over the country paraded through my brain.  
In each store, of course, there would be eight multi-mixers  
worrying away and padding a steady flow of cash  
into my pockets.  
The next morning, I got up with a plan of action in mind.  
I got together with Mac and Dick McDonald again.  
I've been in the kitchens of a lot of restaurants  
and drive-ins selling multi-mixers around the country  
and I have never seen anything  
to equal the potential of this place of yours.  
Why don't you open a series of restaurants like this?  
It would be a gold mine for you and for me too  
because everyone would boost my multi-mixer sales.  
What do you say?  
Silence.  
Then Mac McDonald said,  
we don't need any more problems.  
We're in a position to enjoy life now  
and that's just what we intend to do.  
His approach was utterly foreign to my thinking  
so it took me a few minutes to reorganize my arguments.  
But it soon became apparent that further discussion  
would be futile.  
So I said that they could have their cake and eat it too  
by getting somebody else to open the restaurants for them.  
Then Dick McDonald asked,  
who could we get to open them for us?  
I leaned forward and said, well, what about me?  
When I flew back to Chicago that fateful day in 1954,  
I had a freshly signed contract  
with the McDonald brothers in my briefcase.  
I was a battle-scarred veteran of the business wars  
but I was still eager to go into action.

I was 52 years old.  
I had diabetes and arthritis.  
I had lost my gallbladder  
and most of my thyroid gland in earlier campaigns  
but I was convinced that the best was ahead of me.  
That was an excerpt from the book I'm gonna talk to you about  
today which is Grinding It Out,  
The Making of McDonald's,  
which is the autobiography of Ray Kroc.  
So something that you and I have discussed before  
is this idea that the order that you read things in  
actually affects your interpretation of them.  
And the reason, the first time I read this book,  
it's been like six years since I read it.  
I think it was like episode seven of Founders.  
And back then I didn't know what I didn't know.  
And so the past few weeks,  
I noticed this really interesting pattern  
that has popped up over and over again.  
And it's the fact that it's not what you do  
but how you do it.  
And there's some examples that jump out at you  
on the last few episodes of Founders,  
like episode 288 with Ralph Lauren.  
The fact that he got wealthy,  
he almost went bankrupt when he was a manufacturer  
and then he became one of the wealthiest people in the world  
when he switched from licensing instead of manufacturing.  
The early days on episode 290,  
the early days of Microsoft and Bill Gates,  
the fact that he would refuse to sell his software  
for a fixed price and instead get paid  
for every copy in perpetuity.  
But when he was buying other people's software,  
he'd always give them a fixed price  
and not let them get paid per copy.  
Then last week on episode 292,  
the invisible billionaire, Daniel Ludwig,  
realizes in his early career,  
hey, I can make four X as much,  
just switching from transporting lumber to oil.  
And so this idea that it's not what you do about how you do it  
has been coming up in conversations with other founders.  
And then I realized, oh wait,

Ray Kroc is actually a perfect example of this.  
I should go back and reread his autobiography  
because he made more money than other fast food chains  
by altering his business model  
where he'd actually own the real estate  
and then lease it back to the franchisee.  
And that alteration of his business model  
actually produced similar wealth effects  
like Ralph Lauren changing from manufacturing to licensing,  
going from almost being bankrupt.  
In Ray Kroc's case, he could hardly pay his bills  
when he was just getting 1.9% of the sales  
of all the franchises.  
To becoming unbelievably wealthy  
to when his wife actually dies a few years after he did,  
they went up donating, I think, 1.5,  
close to \$2 billion to charity.  
And so I'll go into a lot more detail  
about that in the middle of the book.  
I do wanna pull out two stories from his early life  
that I think are important  
and then we'll get into his early career.  
We're gonna see a huge bias for action.  
Even from a very young age,  
he was trying to start his own businesses  
and make a lot of money.  
They call me Danny Dreamer a lot.  
Even later when I was in high school  
and would come home all excited  
about some scheme that I thought up.  
I never considered my dreams wasted energy.  
They were invariably linked to some form of action.  
When I dreamed about having a lemonade stand,  
it wasn't long before I set up a lemonade stand.  
I worked hard at it and I sold a lot of lemonade.  
I worked as something whenever possible.  
There's an old saying that all work and no play  
makes Jack a dull boy.  
I never believed that because for me, work was play.  
And that last sentence is really important  
because that all consuming work ethic  
that he has as a young man,  
he maintains throughout his entire life.  
I'll go over, there's multiple highlights that I have

where it's just like, you won't believe his insane schedule.  
He makes it very clear in his autobiography  
that work was his number one priority  
throughout his entire life.  
And he makes no apologies for that,  
even though it destroys a lot of his personal relationships.  
And one more thing from his early life  
is when he drops out of high school  
because he wants to serve in World War I.  
The United States had entered World War I  
and the war effort was very important.  
Everyone was singing over there and that's where I wanted to be.  
My parents objected strenuously,  
but I finally talked them into letting me join up  
as a Red Cross ambulance driver.  
I had to lie about my age.  
In my company was another, this is crazy.  
I had to remember this from the first,  
this is one of the paragraphs that jumped out  
that I still remember from the first time  
I read this book six years ago.  
In my company was another fellow  
who had lied about his age to get in.  
He was regarded as a strange duck  
because whenever we had time off  
and went out on the town to chase girls,  
he stayed in his camp drawing pictures.  
His name was Walt Disney.  
And so the war ends, he refuses to go back to school  
and he starts his career as a salesman.  
And this is what he mentioned earlier  
that he's gonna sell,  
that he sold paper cups for 17 years.  
And this is the first indication that we get  
that he's gonna maintain an insane schedule  
throughout his career.  
It wasn't easy.  
I pounded the pavement in my territory from early morning  
until five or 5.30 in the afternoon.  
I would have worked longer, I suppose,  
but I had another job waiting for me at six o'clock,  
playing the piano at a radio station.  
I had to arrive at the station at six p.m.  
and then play for two hours.

I then had a two hour break from eight to 10 p.m.  
and then I returned to work until two o'clock in the morning.  
A few hours later, at seven a.m.,  
I'd be off with my sample case  
in pursuit of paper cup orders.  
The only break in this routine was on Sunday,  
which was my day off from selling paper cups,  
but we had afternoon hours at the radio station.  
So he just told you he's working  
from essentially seven in the morning  
till two in the morning with a two hour break  
from eight to 10 p.m.  
And he's maintaining that schedule  
for almost seven days a week.  
And he's married at this time.  
I think he got married when he was like 18 or 19,  
as you can imagine, his wife is not gonna be happy about this.  
They actually married for 35 years  
and his decision to go all into McDonald's  
actually causes them to get divorced.  
And so it says, Ethel used to complain  
about the amount of time I spent away from home working.  
Looking back on it now, I guess it was kind of unfair,  
but I was driven by ambition.  
I was determined to live well and have nice things.  
And we could do so with the income from my two jobs.  
And so Ray starts the book saying,  
hey, every person is responsible for their own opportunity.  
And when you see an opportunity, you gotta chase it.  
The problem with the cup business is it's really slow.  
He's selling it in Chicago in the winter.  
And so he's like, I don't make enough money  
during the winter.  
I gotta find another job during that period.  
And in the newspaper, he says,  
I had been reading about the business boom down in Florida.  
Newspapers compared the rush down there to the gold rush  
of 1849.  
This is in the mid 1920s, right before the Great Depression.  
There's this huge speculative real estate boom  
that's happening in Florida.  
And so he's worried that everybody's gonna get rich  
and he's not, he convinces his bosses  
at the paper cup company to let him work down there

during the winter and he'll come back for the busy season.  
So he goes down and he says, I got a job selling real estate.  
Everything I'd been hearing about the real estate boom  
was true.

And so he's a young kid, he's in his early 20s  
and he's trying to figure out, okay,  
where can I get customers?

Like, where do I have an edge here?

And so he does something clever here.

He says, I went to the Miami Chamber of Combers  
and I looked up the names of tourists who came  
from the Chicago area where Ray was living and grew up.  
I'd call them and fill them in as one Chicago in  
to another on an exciting development that I found  
in this land of crazy speculation.

And his strategy worked really well.

The problem was his timing was bad.

Just when I was getting into the swing of selling these lots  
the whole business vanished.

And so now he doesn't have a product sell,  
but he still has his piano playing skills.

So he's going to get a job and this job is going  
to lead him to go to jail.

So he becomes a piano player at this nightclub  
on Palm Island called the Silent Night.

This is happening in Miami.

Today, Palm Island is still there,

but now it is a really nice enclave of single family homes.

And so Ray loves his new job

because he's making a ton of money.

Soon I was averaging \$110 a week.

That was really good money in those days.

Why is he making so much money?

Because the place is illegal

and he's working for a bunch of gangsters.

The place itself was fabulous, gorgeous,  
glamorous and illegal.

The owner was a rum runner

who bought the illicit booze he served from the Bahamas.

A doorman was posted at the entrance gate  
to screen guests as they arrived.

Before opening the gate,

the doorman would push one of two buttons.

One would ring a bell that would bring the Maider D



bustling out to meet the patrons.  
The other button would sound an alarm  
that meant revenue agents.  
And those are the agents that are enforcing prohibition  
which is currently the law of the land  
at this point in history.  
The doorman would delay the federal agents  
as long as he could.  
By the time they got inside  
there was no evidence of liquor in the place.  
And so this goes on for a while,  
raised the static until it gets popped.  
One night, the revenue agents outmaneuvered  
the Palm Island security men  
and we all wound up in jail.  
I was mortified.  
And so he went to getting out of jail  
and heading back to Chicago.  
He says, I had left Florida in the nick of time.  
The club closed its gates for good.  
Palm Island popped up into the news once in a while  
as time went by because Al Capone built a home there.  
And so when he gets back to Chicago,  
he does something smart.  
He says, okay, no more multitasking.  
I'm all in on one thing and one thing only.  
I'm gonna pick the best opportunity  
and go all in on that.  
When I returned to Chicago,  
I started selling paper cups again.  
I vowed that this was going to be my only job.  
I was going to make my living at it  
and to hell with moonlighting of any kind.  
I intended to devote every ounce of my energy to selling.  
And that's exactly what I did.  
And so when I got to that part,  
the note I jotted down for myself  
is actually this quote that I keep  
on the home screen of my phone.  
And it's a quote from the Michael Jordan documentary,  
The Last Dance, describing Michael Jordan.  
And it says, a guy that was totally focused  
on one thing and one thing only.  
And so at this point in his life,

he has to deal with a devastating tragedy  
and that's the early death of his father.  
He was just explaining this huge speculative real estate  
bubble that was happening right before the depression.  
And as I reread this highlight several times  
what popped in my mind is that quote  
that I tell you over and over again  
that comes from episode 242,  
which is the biography of Francis Ford Coppola.  
And it says, you can always understand the son  
by the story of his father.  
The story of the father's embedded in the son.  
Ray, even Ray says, like,  
he had the psychopathic drive to have financial success.  
And even though he achieved great wealth later in life,  
even after he had that wealth,  
he still had that psychopathic drive to keep doing more.  
And once you understand how his dad's life ended,  
I think that makes more and more sense.  
And so Ray's dad's got a job that he doesn't really like,  
wants to make more money,  
he's not making enough money.  
So he's like, hey, I'm gonna,  
he essentially began speculating in real estate.  
And so at a time where if you make a hundred  
or a couple hundred bucks a week  
that you're doing fantastic,  
his dad is like buying lots or houses for 6,000  
and then selling it a short time for 18,000.  
And so in a story that's oldest time,  
he confuses luck with skill and holds on way too long  
and gets caught up in the bursting of this huge bucket  
of bubble.  
Father seemed to have a mightiest touch  
when it came to picking property.  
He was so busy pyramiding his landholding,  
so throwing more money into it.  
Though he'd somehow failed to see  
whatever warnings there might've been  
of the impending crash.  
When the market collapsed,  
he was crushed beneath a pile of deeds  
he could not sell.  
The land was worth less than he owned.

This was an unbearable situation  
for a man of my father's principled conservatism.  
He died of a cerebral hemorrhage in 1930.  
He had worried himself to death.  
On his death, the day he died were two pieces of paper,  
his last paycheck and a garnishment notice  
for the entire amount of his wages.  
And so as I mentioned earlier,  
Ray's gonna sell paper cups for 17 years.  
One of his customers, this guy named Earl Prince,  
is actually going to invent the multi-mixer.  
So Ray's gonna jump from selling paper cups  
to selling the multi-mixer.  
As we already know,  
the multi-mixer is what leads Ray  
to the greatest opportunity of his life.  
So he says, we're selling the multi-mixer.  
I wanna go over,  
just that he talks a lot about his first marriage.  
And I think in describing the relationship dynamic  
between him and his wife,  
we actually understand a lot about who he was as a person.  
And so he says,  
the multi-mixer was the invention  
that really made big volume milkshake production possible.  
And it changed the course of my life.  
So he mentioned earlier  
that the reason he made a good deal money  
from selling paper cups  
with the introduction of prohibition,  
there was like this huge boom in America at the time  
for these soda and milkshake fountains.  
You'd see like stores would pop up everywhere.  
They'd be like inside of Walgreens.  
And so this huge explosion in that industry  
actually helped him  
because they needed the paper cups that he was selling.  
And so his customer goes to him and says,  
hey, why don't you leave Lily Tulip?  
That's the paper cup company that he's working for.  
And just go, we'll go into business together.  
I will make and manufacture the multi-mixers  
and you can sell them.  
And then we'd split the profits.

And so Ray's super excited about this business opportunity  
he believes in it.

But when he tells his wife, she thinks he's crazy.

Ethel was incredulous at the idea

that I would give up my position

and go off on a flyer like this.

You were risking your whole future if you do this.

You were 35 years old.

And you're gonna start all over again as if you were 20.

What if the multi-mixer turns out

to just be a fad and fails?

You have to trust my instincts on this, I said.

I'm positive that this is going to be a winner.

I want you to help me.

Come down and work in the office for me

and together we will make it a terrific business.

I will do no such thing, she said.

But Ethel, I need your help.

She absolutely refused to help.

I felt betrayed.

That was when I began to understand the meaning  
of the word estrangement.

It is a terrible feeling.

And once it appears, it grows like dry rot.

Ethel did not deter me though.

When I have my mind made up about a business deal,  
that's it.

That's not the last time they're gonna fight about raise  
ambition over and over again.

He does do some crazy stuff when he just said,

hey, if I have my mind made about a business deal,  
that's it.

He puts his money where his mouth is.

He'll mortgage his home to go

and raise the money needed for his business.

We'll get there in a minute.

I do wanna bring up one thing though.

He brings in the multi-mixer contract

to his actual employer because originally he's like,

hey, maybe we can sell this together.

They don't have an interest in it.

So when he tells his boss,

hey, I'm gonna strike out on my own,

I'm gonna go into business with Earl,

they won't let him because they have the contract.  
So the actual multi-mixer contract is with his company,  
but he's their best salesman.  
So he's like, if you don't let me do this,  
I'm gonna quit anyways.  
And so they work out a deal that winds up  
being a terrible deal.  
And so this bad deal actually leads Ray  
to mortgaging his house to buy out his partner,  
but we're not there yet.  
Says what we worked out was a deal  
in which I got the multi-mixer contract  
and the company got 60% of my new company.  
It was a satanic setup, but I didn't see that then.  
And so he sets up this new company to sell the multi-mixer.  
He calls himself a one-man band  
and he just starts hitting the streets.  
I was having a lot of fun back in 1938  
when I struck off on my own.  
I was a one-man band and I traveled all over the country.  
Sales were not bad considering the newness of the product,  
but I was extremely unhappy with my financial setup.  
I determined after a little more than two years  
that I was gonna have to get that 60% back somehow.  
And so he keeps pushing the points,  
like what's your buyout number, what's your buyout number?  
He's gonna do the same thing for the McDonald's brother,  
so that's why I'm reading this section to you.  
And keep in mind, the company gave him \$6,000  
of startup capital.  
He's doing all the work two years later.  
This is what they tell him.  
I don't know how he kept from choking on his own bile  
as he mouthed the figure, \$68,000.  
And so Ray's disgusted by the situation, but he wants out.  
I didn't know where the hell I was gonna raise that money,  
but I had made up my mind to do it.  
In the end, most of the cash came from my new home.  
I managed to get an increase in the mortgage,  
much to Ethel's dismay.  
I don't think she ever got over the shock  
of discovering that we were \$100,000 in debt.  
And it's during this period of his life  
that he first mentions why the book is titled,

Grinding It Out.

For me, this was the first phase of grinding it out,  
building my personal monument to capitalism.

I paid tribute in the feudal sense for many years  
before I was able to rise with McDonald's  
on the foundation I had laid.

Without the adversity,

I might not have been able to persevere later.

I learned then how to keep problems from crushing me.

I refused to worry about more than one thing at a time.

And I would not let useless fretting about a problem  
no matter how important keep me from sleeping.

I knew that if I didn't sleep well,

I would not be bright and fresh

and able to deal with customers in the morning.

And so think about how crazy this is.

He sold paper cups for 17 years.

He starts selling the multi-mixer in 1938.

Now this is in the early 1950s,

and he realized, uh-oh, I'm in a dwindling business.

And he knows this because he spends his time

traveling around talking to his customers,

so his customers are restaurants, drugstores, soda fountains.

And little by little, they're either downsizing  
or eliminating selling milkshakes or sodas completely.

And so he has a few-year window to be like,

okay, well, I'm going to either be in a decreasing business

or I have to find something else.

And this is the punchline, the upshot of all this.

I knew that I had to find a new product.

At this point, he'd been selling the multi-mixer  
for 15 years.

It was not long after that that I became intrigued

by the stories of the McDonald brothers

and their operation that kept eight multi-mixers whirring up.

What the hell I thought, I'll go see for myself.

So I booked my 52-year-old bones onto the Red Eye Special  
and flew west to meet my future.

And so one of the most important decisions

that the McDonald brothers made early on

is that they made every detail perfect

and then they limit the number of details

they had to perfect.

This is something you can see

that the present corporation totally got away from.  
But I thought this description was good.  
It was a restaurant stripped down  
to the minimum in service and menu.  
The prototype for legions of fast food units  
that would later spread across the country.  
The simplicity of the procedures  
allowed the McDonald's to concentrate on quality  
in every step and that was the trick.  
Make every detail perfect  
and limit the number of details to perfect.  
And so from the very beginning,  
Ray makes two crucial mistakes.  
One, he acts as his own attorney  
and two, he accepts just a terrible deal.  
This is again, he's known for like accepting  
these bad financial deals at the beginning  
and then trying to figure out a way  
to wiggle himself out later.  
But there's one specific clause in the contract  
that is gonna cause the disintegration  
of the partnership between the McDonald brothers  
and Ray Crock later on.  
And he says, I was further contractual clauses  
that obligated me to follow their plans  
down to the last detail too, even to signs and menus.  
But I should have been more cautious there.  
The agreement was that I could not deviate  
from their plans in my units  
unless the changes were spelled out in writing  
and then signed by both brothers  
and sent to me by registered mail.  
This is never going to happen, by the way.  
This seemingly innocuous requirement  
created massive problems for me.  
A man, he says, there's an old saying  
that a man who represents himself has a fool for a lawyer.  
And that certainly applied to me in this instant.  
I was just carried away by the thought  
of McDonald's drive-ins proliferating like rabbits.  
Also, I was swayed by the affable openness  
of the McDonald's brothers.  
And so he says, the meeting was extremely cordial.  
I trusted them from the outset.

And then he goes into what he agreed on financial terms.  
And again, this makes sense.  
I'm not criticizing him here when he says,  
hey, the agreement gave me 1.9% of gross sales  
from franchisees.  
So that's his whole thing, I'm going to make 1.9%.  
He's got to kick up half of a percent  
to the McDonald's brothers.  
So really, he gets 1.4%.  
They're selling hamburgers for 15 cents.  
And so eventually he hires this guy, Harry,  
to work with him.  
Really, they're more like partners.  
And Harry's like, hey, you don't build an empire  
off of 1.4% of a 15 cent hamburger.  
But now that I've read this over and over again,  
I realized, oh, well, keep in mind,  
at this point, he's signing this.  
He's not thinking he's going to make a ton of money  
by building this huge franchise system  
that McDonald's becomes, right?  
He's like, oh, I'm just going to create more demand  
for the multi-mixer.  
If I can set up a bunch of McDonald's stores  
all over the country, all of them  
will have to buy eight multi-mixers from me.  
That's an important point.  
He does not realize the seerscope.  
There's no way he could, right?  
Like McDonald's becomes one of the largest companies  
that ever existed.  
But he does not realize the size and scope  
of the opportunities right in front of him yet.  
We'll get there in a minute.  
The brothers were to get half a percent out of my 1.9%.  
I just told you that if they had played their cards right,  
that half a percent would have made them unbelievably wealthy.  
I'll get into more details of how he buys them out  
on that later as well.  
But this part is important because it explains his mindset.  
I kind of just gave you a summary of that a minute ago.  
I've often been asked, why didn't simply copy  
the McDonald's Brothers plan?  
They showed me the whole thing and it would have been easy



matter to pad in a restaurant after theirs.  
The idea never crossed my mind.  
I saw it through the eyes of a salesman.  
Here was a complete package and I could get out  
and talk up a storm about it.  
Remember, I was thinking more about perspective  
multi-mixer sales than hamburgers at that point.  
And then he also mentions the fact that he liked the name.  
This is something he repeats over and over again.  
I think product names, company names are actually really  
important. I think other people discounted out.  
There was also the name.  
I had a strong intuitive sense that the name McDonald's  
was exactly right.  
I couldn't have taken the name.  
Meaning if he did it on its own,  
he couldn't have taken their name.  
And so the fact that Ray goes all in on McDonald's  
is what kills his marriage.  
Ethel was incensed by the whole thing.  
We had no obligations that would jeopardize  
that we would be jeopardized by it.  
Our daughter, Marilyn, was married and no longer dependent on us.  
But that didn't matter to Ethel.  
She just did not want to hear about McDonald's.  
It closed the door between us.  
I had no time to bother with emotional stress.  
I had to find a site for my first McDonald's store  
and start building.  
And you're gonna see this guy's a little nuts  
when it comes to the women in his life.  
He's gonna be married multiple times in the book.  
And just the way he jumps into these things,  
I'll tell you more about that in a minute.  
So from the very first time, he violates this order,  
this clause that they have in the contract,  
that hey, if you're gonna make any changes,  
you have to notify us in writing.  
We have to sign that it's okay  
and then we have to mail it back to you.  
And for some weird reason, they would agree over the phone  
but they would never actually put it in writing.  
So this causes him, he's gonna want it being default,  
in default, right from the very beginning.

And again, this is partially Ray's fault.  
He jumped into business.  
He's in a partnership with people he doesn't really know.  
I called the McDonald boys and told them about my problem.  
Well, you need a basement, they said.  
So build one.  
I reminded them that I had to have it documented  
by a registered letter.  
They poo-pooed it and said it was all right and go ahead.  
I went ahead with the building telling myself  
that when I got breathing space,  
I'd fly out to see the McDonald's brothers  
and get all the contractual details wrinkled out once more.  
Or ironed out once more, excuse me.  
That would have worked had the McDonald's  
been reasonable men.  
Instead, they were obtuse.  
They were utterly indifferent to the fact  
that I was putting every cent I had  
and all I could borrow into this project.  
When we sat down with our lawyers in attendance,  
the brothers acknowledged the problems  
but refused to write a single letter  
that would permit me to make changes.  
And so Ray and the McDonald's brothers  
would have weird interactions like this.  
We've told you by telephone that you may go ahead  
and alter the plans as we discussed, said their attorney.  
But the contract calls for a registered letter  
if Mr. Crock does not have one he's put in jeopardy,  
said my attorney.  
That's your problem, the response would be.  
It was almost as though they were hoping I'd fail.  
This was a peculiar attitude for them to take  
because the more successful the franchising,  
the more money they would make.  
And so Ray has no choice but to go ahead  
and open his first McDonald's store.  
Keep in mind, he's still working full time  
selling multi-mixers.  
At the same time that he's developing the first store.  
So this is again, another example of this crazy schedule  
that he would maintain.  
He was doing this when he was 17

and he's still doing this in his 50s.  
I would drive down to the plane's location each morning  
and help get the place ready to open.  
The janitor would arrive at the same time that I did  
and if there was nothing else to be done, I'd help him.  
I'd never been too proud to grab a mop  
and clean up the restrooms,  
even if I happened to be wearing a good suit.  
So the reason I read that sentence to you,  
he repeats this over and over again in the book.  
Like he's like a neat freak.  
He would explode if the bathroom was dirty  
or if there's like litter in the parking lot.  
So he says, but usually there were a lot of details  
we'd taken care of in terms of ordering supplies  
and keeping the food operation going.  
So I'd write out detailed instructions for Ed,  
Ed's the guy that he hired to run this first store.  
Ed came in at about 10 o'clock in the morning  
and then he'd open the store at 11.  
I would leave my car at the store,  
walk a few blocks to the train  
and then take the train to Chicago  
and be in my office before nine o'clock.  
This is where he's selling multi-mixers.  
Shows up to McDonald's early before they open,  
helps it get set up,  
then goes selling multi-mixers all day.  
When he's done with that in the evening,  
he goes back to McDonald's.  
In the evenings, I would commute back  
and walk over to the store.  
I was always eager to see it come into view.  
My McDonald's, exclamation point.  
He's super happy about this.  
But sometimes the site pleased me  
a lot less than other times.  
Sometimes Ed would have forgotten to turn the sign on  
when dust began to fall and that made me furious.  
Or maybe he brings up the litter again.  
Or maybe the lot would have some litter on it  
that Ed said he hadn't had time to pick up.  
Those little things didn't seem to bother some people,  
but they were gross affronts to me.

I'd get screaming mad and really let Ed have it.  
But perfection is very difficult to achieve  
and perfection was what I wanted in McDonald's.  
Everything else was secondary.  
And I think it's actually important to pause there.  
And I think one of the most important parts  
of this autobiography is that Ray  
is not trying to get you to like him.  
In fact, I would argue if you read this book  
and you get to the end of it,  
you're not gonna say, hey, Ray sounds like this great guy.  
I'd like to be friends with him.  
I think it's much more likely to get to the end of the book  
and be like, oh wow, this guy's driven, persistent, ruthless  
and willing to destroy anybody that gets in his way.  
This is a very old book.  
It was published in 1977.  
They just, they made a movie about the book  
where Michael Keaton plays Ray Kroc.  
You can watch it on Netflix.  
It's called Founder.  
And there's a line in that movie  
that I think is demonstrating the point I'm trying  
to make to you where he says, hey,  
if my competitor was drowning,  
I'd put a hose in his mouth.  
He does not hide that side of him.  
He just referenced, like even leaving a little piece  
of the trash and I'm gonna explode,  
I'm gonna get in your face, I'm gonna yell.  
And his justification is that, hey,  
perfection is very difficult to achieve,  
but perfection is what I wanted in McDonald's  
and everything else was secondary to me.  
And so this is the part  
where the most important person in the McDonald's story,  
not named Ray Kroc appears.  
And this is this guy named Harry Sanborn.  
And Ray admits without Harry's idea,  
McDonald's would have never grown into the company  
that it grew into.  
And so I'm gonna tell you the way  
that Ray describes Harry's idea.  
And I'm actually gonna read you the summary

of Harry's idea from the movie,  
which I think is absolutely fantastic.  
And it says, this is the move  
that made possible McDonald's dramatic growth.  
It started our evolution as a company  
whose business was developing restaurants  
and selling franchises to operate them.  
Our aim was to ensure repeat business  
based on the system's reputation,  
rather than on the quality of a single store operator.  
This would require a continuing program of educating  
and this is gonna sound like a basic to us now  
because this is like the world we live in now  
where there's a ton of franchises for everything.  
But this world did not exist  
at the time they're building McDonald's.  
This required a continuing program of educating  
and assisting operators  
and a constant review of their performance.  
It would also require a full-time program  
of research and development.  
I knew in my bones that the key to uniformity  
would be in our ability to provide techniques  
of preparation that operators would accept  
because they were superior to methods  
they could dream up for themselves.  
But research and development and staff to supervise  
and service operators effectively takes money.  
That's a big problem because what is he getting now?  
It takes more than 1.4% of a 15 cent hamburger  
some fries and shakes.  
The only practical way for McDonald's to grow  
as we envisioned would be for us  
to develop the restaurants ourselves.  
We could plan a strong system in which locations  
could be developed by McDonald's  
as part of an overall long range nationwide marketing program.  
It would make the right to operate a McDonald's restaurant  
far more valuable to a potential operator  
than if we were franchising only a name.  
Actually getting into the restaurant development business  
was a seemingly insurmountable problem.  
Harry's solution, the formation of franchise realty corporation  
was to my mind a stroke of financing genius.

When Harry came up with a way to make it possible,  
I backed it by going into hawk for everything I had.  
My house, my car, you name it.  
And this part is exactly why I wanted to read this book  
right now in the sequence that I'm reading it in  
given what I told you about Ralph Lauren, Bill Gates  
and Daniel Ludwig at the beginning.  
It is not what you do, it's how you do it.  
Let me go to Harry's fantastic summary of this idea  
that appears in the movie and he's talking,  
in the movie he's talking to Ray,  
says you don't seem to realize what business you're in.  
You're not in the burger business.  
You're in the real estate business.  
You don't build an empire off of a 1.4% cut  
of a 15 cent hamburger.  
You build it by owning the land  
upon which that burger is cooked.  
What you ought to be doing is buying up plots of land,  
then turning around and leasing those lots to franchisees  
who as a condition of their deal are permitted to lease  
from you and you alone.  
This will provide you with two things.  
Two things that at this point in McDonald's history,  
Ray Kroc does not have.  
Number one, a steady upfront revenue stream.  
Money flows in before the first stake is in the ground.  
And number two, greater capital for expansion,  
which in turn fuels further land acquisition,  
which in turn fuels further expansion.  
That, that right there is how they go at this point,  
they have maybe a few dozen McDonald's  
to by the time the book ends in 1977,  
to 4,000 to today, 40,000.  
This changes everything because now they have access  
to capital before Ray's trying to get loans for expansion.  
They're like, okay, well, what do you own?  
Why own the contract that lets me build franchises?  
And they're like, what do you get for that?  
And they're like 1.4%.  
And so bank after bank and lender after lender,  
like no, no, no, thank you.  
But by owning the real estate and then leasing it back  
opens up these giant pools of capital.

First they start out doing like regular mortgages  
and then Harry's like, oh wait, we got to target you.  
They start targeting life insurance companies.  
And there's a line in the book on that.  
It says, we're doing fine with these bank mortgages,  
Harry said, but we're gonna have to get  
some big institutional investors to back us.  
Harry went after life insurance companies.  
And so if you look back at Ray's life up until this point,  
it's fascinating.  
You know how Steve Jobs said,  
you can't connect the dots looking forward.  
It only makes sense looking backwards.  
Let me actually pull a full quote  
because I think repeating it from time to time  
is actually valuable.  
I think Steve said this at his commencement address,  
but he says, you can't connect the dots looking forward.  
You can only connect them looking backwards.  
So you have to trust that the dots will somehow  
connect in your future.  
You have to trust in something.  
Your gut, destiny, life, karma, whatever.  
This approach has never let me down  
and it has made all the difference in my life.  
So Ray goes from selling paper cups,  
which leads him to selling multi-mixers,  
which then leads him to discovering McDonald's Brothers,  
which then leads him to setting up more McDonald's stores  
so he can sell more multi-mixers,  
which then leads him to meeting Harry Sonborn,  
and Harry leads him to the true business innovation  
that is going to be responsible for all of Ray Kroc's wealth.  
There's no way you're connecting those dots looking forward.  
And so in addition to his financial genius,  
I think having somebody that truly believes  
in the opportunity that you're pursuing  
the same way you do is very valuable.  
We see Harry thinks about this opportunity,  
the size of the opportunity, just like Ray does.  
I recall that Harry made a trip to San Bernardino.  
That's where the very first McDonald's was,  
where the McDonald's Brothers lived.  
Made a trip to San Bernardino about the time

where we were really starting to roll.  
And Dick McDonald asked him what he thought of the future,  
what the future of McDonald's would be.  
Harry told him that one day this company would be bigger  
than F.W. Woolworth.  
So that's not going to make,  
that's going to mean nothing to most people.  
But if you read stories about the early American retail industry,  
F.W. Woolworth was a gigantic company.  
It was one of the most successful American retail companies  
starting in the late 1800s and getting gigantic  
in the middle of the middle 1900s.  
And so with that background,  
you're going to see Dick McDonald's response  
is going to make a lot more sense.  
So let me read this to you again.  
When we were really starting to roll,  
Dick McDonald asked Harry what he thought about the future,  
or what the future McDonald's would be.  
Harry told him that one day this company  
would be bigger than F.W. Woolworth.  
Dick really did a double take at that.  
He told me later,  
I thought you had a genuine nut on your hands, Ray.  
But Harry knew exactly where he wanted to go  
and he knew how to get there.  
And so at the beginning of all this,  
they have a tiny, tiny team at headquarters.  
And so Ray is going to ask for an unbelievable amount of sacrifice.  
I'm just going to tell you what I wrote before I read this to you.  
Missing your kids' birthdays to sell 15-cent hamburgers is whack.  
But again, Ray does not hide who he is.  
Unfortunately, he convinced other people  
to make the same sacrifices.  
And I'll tell you why that's so tragic in one second.  
I felt deeply indebted to Harry and June.  
June, I think, was the first employee  
of the McDonald's corporation.  
What's going to turn into McDonald's corporation?  
She's actually, when they go public,  
the first woman ever allowed on, I think it's the NASDAQ,  
on the New York Stock Exchange.  
So it says they worked tirelessly.  
I knew that both of them were neglecting



their family obligations completely  
so that they could stay on top of things  
in a rapidly building operation.  
June later told me that all the while  
her two boys were growing up,  
she never made it to one of their birthday parties  
or graduation ceremonies.  
How do you think her kids feel about that?  
And when I tell you in one second,  
how do you think if June was alive,  
we could talk to her how she felt about it?  
I'll get there in one second.  
I was in the same boat.  
It was a little easier for me, perhaps,  
because of my continuing Cold War  
between Ethel and my daughter and me.  
So again, he's saying I got shit relationships  
with my daughter and shit relationships with my wife.  
My total commitment to business  
had long since been established in my home.  
I gave them stock, 10% to June and 20% to Harry,  
and ultimately it would make them rich.  
Now, why did I ask you how her kids feel about it?  
You know how her kids feel about it.  
How does June feel about it?  
A few years from now, Harry and Ray are going to have a falling out.  
Ray is going to kick Harry out of the company  
and they wind up not talking for almost a decade.  
And shortly after that, he said he made June retire  
because she was part of the old guard  
and she wasn't with the new way they were doing things.  
That's another way of saying he fired her.  
Yeah, she got to keep her stock.  
She was still rich.  
But this person saying, hey, miss your kid's birthdays.  
Every single one of your two boys  
when you're growing up, miss them for me,  
is the same person a decade from now that is going to fire you.  
Missing your kid's birthday to sell 15 cent hamburgers is whack.  
You got work to do that's fine.  
Wake up earlier when your kids are still sleeping.  
Work after they're sleeping if you have to.  
But don't miss their birthday party.  
And so something also that he mentions in the book

is how different people will treat you.  
At the very beginning, he starts trying to sell these franchises.  
You know, he's 52, 54 years old  
and he's a member of a country club  
and people are like kind of laughing at him.  
They're like, they thought he was nuts.  
Like, why are you going and trying to sell hamburgers?  
And then once they start seeing  
that McDonald's is going to turn into this massive success  
and the growth happened so fast,  
they're like, oh, McDonald's is like this overnight success  
and he's got an interesting response to that.  
And he says, people have marveled at the fact  
that it didn't start McDonald's until I was 52 years old  
and then I became a success overnight.  
But I was just like a lot of show business personalities  
who work away quietly at their craft for years.  
And then suddenly they get the right break and make it big.  
I was an overnight success all right,  
but 30 years is a long, long night.  
So some of their franchises are absolutely fantastic.  
Some are con artists.  
One con artist causes them to lose about \$400,000.  
And that, taking that negative,  
they actually realize, oh wait,  
we have to protect our downside here.  
So they actually do something really interesting  
and something that Ray was previously against.  
And so they decide one way to protect their downside  
is actually by owning a group of stores themselves.  
And so up until this point, Ray was adamant  
about not selling stock,  
but he did want to protect his downside.  
So it says in the course of our loan discussions,  
the idea emerged that we should build and operate  
10 or so stores as a company.  
If worse came to worst,  
we could always retrench and operate our company stores  
under some other name.  
Remember at this time,  
he's still partners with McDonald's brothers.  
So if he's saying, if they enforce like this default  
on the contract, well, we own these stores,  
this is a separate company,

we could just start new under different names.  
So that's what he's talking about there.  
And so a bunch of these insurance companies are willing to lend him money to do this in exchange for, they want 20%, they want 22% of our stock in exchange for \$1.5 million.  
I fought with the idea of giving up any part of the stock in the company.  
I had struggled so desperately to build, yet the appeal of \$1.5 million was irresistible.  
This is in 1959.  
So it says they wanted doing this deal.  
The three insurance companies make a ton of money on this.  
It says they sold their stock a few years later for between \$7 and \$10 million.  
So they turned \$1.5 into \$7 and \$10 million.  
However, if they waited until 1973 to sell, so what's that like 14 years in the future, they would have gotten over \$500 million for it.  
And it's a good thing he did this because the fights with the McDonald's brothers continue this time they're fighting over advertising.  
The McDonald's brothers were simply not on my wavelength at all.  
I was obsessed with the idea of making McDonald's the biggest and best.  
They were content with what they had.  
They didn't want to be bothered with more risks and more demands.  
We asked them to contribute 1% of their gross, their gross sales towards an advertising campaign that would benefit our stores and all of them as well.  
But they would have nothing to do with it.  
Do with it.  
All I could do for the time being was to live with it.  
And so this is something that Ray's going to repeat several times throughout the book.  
He's like, he has an intense belief in advertising because he saw how effective it was for the early growth in McDonald's.  
In our business, there are two kinds of attitudes toward advertising and public relations.  
One is the outlook of the begrudger who treats every cent paid for an ad program

as if they were strictly expenditures.  
My own viewpoint is that of the promoter.  
I never hesitate to spend money in this area  
because I see it coming back to me with interest.  
So they saw it as another expense.  
He saw it as an investment.  
So I mentioned earlier that this guy,  
when it comes to like his love life, is a little nuts.  
He's still married to Ethel.  
They're estranged, but they're still technically together.  
He's going to try to steal this guy's wife  
and the wife, it's a husband and wife  
that actually are one of the franchisees.  
And so because of the fact that they're running  
one of the stores, he winds up talking,  
her name's Joni.  
He winds up talking to Joni on the phone all the time.  
And then he just decides, hey, he's trying to convince her,  
hey, leave your husband.  
And he's like, oh, I guess I have to get divorced first.  
This guy's nuts.  
So he says, this leads to long telephone conversations  
between Joni and me.  
I would be tingling with pleasure from head to toe  
when I hung up to receive her,  
feeling this way made it impossible for me  
to go on living with Ethel.  
I moved out of our home.  
The next step was to propose to Joni  
that we both get divorced and marry.  
She says, no, but this goes like, he's going to wind up,  
this is what I mean about this guy's nuts.  
He winds up, he's like, okay, I guess I got a divorce first.  
So he gets divorced, Joni says, no,  
then he's going to marry somebody else  
for like five or six years.  
Then he has another shot at Joni.  
So he divorces that lady too.  
This is wild.  
And then again, in his divorce settlement with Ethel,  
we see what he really believes in.  
So I bought my freedom from Ethel.  
She wound up getting everything I had  
except my McDonald's stock.

So the tension between him and the McDonald's brothers keeps growing until he's just like, okay, just name your price. I need to get the hell out of this contract. How do we do it? Very similar to when he needed to get out of the contract for \$68,000 when he was selling multi-mixers. I called Dick McDonald and asked him to name their price. He did. And I dropped the phone, my teeth, and everything else. He asked me what that noise was. And I told him that was me jumping out of the 20th floor of the office. They were asking for \$2.7 million. Needless to say, Ray does not have \$2.7 million at this point in his career. This was going to really take some financial wheeling and dealing. So they wound up getting in touch with this guy. He's actually a financial advisor to Princeton University, Howard University, Carnegie Tech, the Ford Foundation, and about 12 educational and charitable institutions in total. These 12 charitable and educational institutions are going to lend him the \$2.7 million. They call these guys the 12 apostles. And in return for the \$2.7 million of cash that they get to buy out to McDonald's brothers, the 12 apostles want the McDonald's brothers what they were getting, the half a percent of gross sales of all McDonald's stores. And the reason I'm reading this to you is because it's just crazy. When you have a business that's working, how much value creation can happen in five, 10, 15 years? It was an extremely successful deal. The 12 apostles wound up making \$12 million on it. OK, so they do \$2.7 million. \$2.7 million and they get 12 out. But here's where it gets real crazy. Remember that we had been forking over half a percent to the McDonald's brothers all along anyhow. The total cost of this transaction to us was about \$14 million.

And it was peanuts compared to what the corporation earned in the years that followed by retaining that 5% instead of paying it to Mac and Dick McDonald. On today's system-wide sales, which is in 1977, on today's system-wide sales of more than \$3 billion, that half a percent would be \$15 million a year. And so you and I have talked about before the fact that if you understand why, you have to understand why somebody's doing something. And if you understand why they're doing it, their actions will make a lot more sense to you. I always use a reference of the fact if you go study John DeRoccofeller's career, he literally believed that he felt money making was a God-given talent and that he had to make as much money as possible so that he could give way as much money as possible. And so viewed through that lens of his belief, it makes sense about why he made the decisions he made in his career. Ray's a very extreme dude. He's not hiding it. And the reason being is because he views McDonald's as his religion. He uses the word faith. He says, I have a whole album of mental snapshots from this time period. Turning through them brings back a rush of memories, not nostalgia, but reaffirmation of my faith in McDonald's. I speak of faith in McDonald's as if it were a religion. That is exactly the way I think about it. I've often said that I believe in God, family, and McDonald's, and in the office, the order is reversed. That makes sense. So now when you're like, hey, dude, why are you getting this guy's face? There's like a little piece of trash on the ground. Are you throwing shit in your office? Are you banging on the tables? Are you kicking out partners? Are you firing people that have been with you for 25 years? It is a religion to him. And if he feels you're getting in the way for the constant growth and expansion of that religion,

he will view you as a problem and stop at nothing at solving that problem.  
And it's because he has this religious zeal for McDonald's, just like when Harry was talking to Dick McDonald. He's like, oh, I think we'll be bigger in FW World Wars. He's like, this guy's a nut.  
There's examples in the book where Ray says the same thing. He's sitting there talking to me. He's like, hey, listen, one of these days, we're going to be a billion-dollar company. The person he's talking to, they're having lunch, Froze was frozen by that statement and stopped in mid-bite and looked at me with a funny, pop-eyed expression. And that religious zeal, he never lost it. Like there's a line in the afterward that's written after Ray dies, like seven or eight years after the book was published. And it says, even in the last few years, when he was confined to a wheelchair, he still went to the office every day. And so eventually he moves out from Chicago to California. He feels California is going to be more valuable, the most valuable state for McDonald's, almost more than any other, all the other states combined at this point. But he's displeased with how slow the growth is. So this, again, goes back to his belief in investing in advertising. As we solved our supply problems in California and built more stores, business gradually picked up. But it remained far lower than it should have been. So this guy named Nick that is working for him came to me with a proposal. For a television advertising campaign. The project was going to cost \$180,000. And he wanted to pay for it by raising the price of hamburgers, a penny. This is a terrific plan, I said, but we're not going to raise the price. It demonstrated precisely how an ad campaign would repay its cost many times over, while failing to spend the money would cost us much more in the long run. So again, he's echoing back to this argument

that he was having with his former partner, Dick McDonald.  
Dick is no longer in the picture anymore.

So if Ray says, we're going to spend advertising money,  
they're going to spend advertising money,  
this is the result.

It turned Californians into our parking lots  
as the blindfolds had been removed from their eyes.

And so business is booming.

They're expanding everywhere.

And he is miserable.

And this is what I mentioned earlier.

When it comes to his love life, this guy is a little nuts.

All this progress was very rewarding.

I should have been elated.

So he's talking about he's making a ton of money.

He's got this beautiful house on the hill in California,  
franchises dotting all across the country.

And yet he says, I should have been happy,  
but the undeniable fact was that it was miserable.

I had forced Joanie out of my mind  
after she said she wasn't going to leave her husband,  
but I could not get her out of my heart.

Some people are bachelors by nature.

I am not.

I guess I need to be married to feel complete.

That is why I felt so hard for Jane.

This is going to be wife number two.

Joanie is going to be wife number three.

Her name was Jane Dobbins Green.

She was John Wayne's secretary.

A mutual friend introduced us.

This is what I mean about this guy's little nuts.

We had dinner together the night after we met  
and the next night and the night after that.

We had dinner together five nights in a row.

I was enchanted.

Within two weeks, we were married.

Joanie found out about it.

Eventually, one day, I got a telephone call from her  
and we had a brief business-like conversation.

She ended the conversation by asking, Ray, are you happy?

I was shaken and astonished.

It took me a moment to catch my voice.

Then I blurted yes and slammed down the receiver.



So a number of times throughout the book,  
Harry and Ray are having these fights  
over this philosophical difference  
on how to run the company.  
A series of fights is going to wind up leading  
to their final confrontation.  
Remember, to Ray McDonald's is a religion  
and if you're trying to get him  
to slow down the spreading of that religion,  
you are then deemed his enemy.  
We're going to get there in a minute.  
But one thing Ray believed in  
was that they should have a decentralized  
management structure.  
Harry did not.  
Harry didn't quite see things my way in these matters.  
He wanted tighter corporate controls,  
a more authoritarian posture.  
I maintained, this is a good line,  
I maintained that authority should go with the job.  
Some wrong decisions may be made as a result,  
but that's the only way you can encourage  
strong people to grow in an organization.  
Sit on them and they will be stifled.  
The best ones go elsewhere.  
I knew that very well from my past experience.  
I believe that less is more in the case  
of corporate management.  
And then he explains what caused  
the end of their partnership.  
It's lonely on top.  
I've never felt this so keenly as when Harry  
and I had our final confrontation and he resigned.  
The most important problem I had with Harry  
was his growing conservatism in real estate development.  
He was listening to bankers who told him  
the country was heading into a recession in 1967  
and that McDonald's audit conserved cash  
and hold down its construction of new stores.  
Ray is all gas and no brakes.  
There's no way that he's going to slow down  
construction of new stores.  
Harry put a moratorium on all new store development,  
no more construction.

I was opposed to it.  
I was in our offices the next morning waiting for Harry.  
When he came in, we went at it hammer and tongs.  
I forced the issue all the way  
with the result that he resigned.  
It was a hell of a mess.  
And then Harry in turn makes a drastic mistake,  
probably influenced by his emotions.  
Harry had a substantial chunk of McDonald's stock  
but he was so certain that the company  
would go down the chute when he left that he sold it all.  
The sale gave him a few million dollars at the time.  
Had he kept it, his stock would be worth over a hundred million dollars.  
And then listen to the words that he's going to describe Harry's actions.  
So his lack of faith, there's that word again.  
So his lack of faith in us was very costly for him.  
And so he has to let a bunch of people go  
and it doesn't stop there.  
There was one other thing I had to do  
to set the situation in the Chicago office straight.  
And that was to ask June Martino to retire.  
It was a tough thing for me.  
June was a wonderful person  
and she had been a tremendous asset to the organization  
but she was part of the old regime  
and her approach would no longer work.  
She held on to her stock, however,  
and it made her extremely wealthy.  
Did you cash what just happened there?  
He fired the woman who missed all the money  
who missed all of her kid's birthday parties for the company.  
And so by now McDonald's is a public corporation.  
Ray Kroc is unbelievably wealthy.  
He winds up buying the San Diego Padres baseball team.  
He's still with his second wife  
but we see that this guy is a little nuts  
and he just can't stop.  
I hadn't seen Joni for five years  
when we met at the Western Region Operators Convention in San Diego.  
Truthfully, I didn't expect to be hit by the same wave of emotion  
that had bowled me over before  
but that's exactly what happened.  
I attended a small dinner party the first evening of the convention  
and Joni was there with her husband.

I made sure that Joni sat right next to me.  
Raleigh, that's her husband's name.  
Raleigh, you sit down there at the other end, I said.  
Everyone tittered.  
They thought I was kidding.  
Little did they know.  
And when I made my after-dinner speech  
about how I had tamed all I had ever wanted in life  
except for one thing,  
little did they suspect that the missing element,  
all I needed to make my life complete,  
was sitting there at the very table beside me.  
And so Raleigh says again,  
let's both get divorces and get married.  
When he said this last time he was married to Ethel,  
now he's married to Jane,  
and this time Joni says yes.  
I didn't want to hurt Jane any more than was necessary  
but I had to have a divorce immediately.  
And then he immediately turns around and marries Joni.  
Joni and I were married in 1969.  
At last I felt like I was a complete person.  
Now I told myself,  
I could take life a little easier and enjoy it.  
I was finished grinding it out  
but business is not like painting a picture.  
You can't put a final brushstroke on it  
and then hang it on the wall and admire it.  
We had a slogan posted on the walls around headquarters  
that says nothing recedes like success.  
Don't let it happen to us or you.  
I wasn't about to let it happen to me.  
The key element in individual success stories  
and McDonald's itself is determination.  
This is expressed very well in my favorite saying.  
Press on.  
Nothing in the world can take the place of persistence.  
Talent will not.  
Nothing is more common than unsuccessful men with talent.  
Genius will not.  
Unrewarded genius is almost a proverb.  
Education will not.  
The world is full of educated idiots.  
Persistence and determination alone are omnipotent.

That's the spirit that built 4,000 McDonald hamburger restaurants.  
Dedicating the 4,000th restaurant  
was quite a milestone.  
Now we're shooting for 5,000.  
Personally, I'm thinking about number 10,000.  
A lot of people would say I'm dreaming.  
Well, they'd be right.  
I've been dreaming all my life  
and I'm sure as hell not going to stop now.  
And he never does stop.  
Ray works at McDonald's until the day he dies  
even after being confined to a wheelchair.  
And that's where I'll leave it for the full story.  
Highly recommend reading the book.  
If you buy the book using the link that's in the show notes  
in your podcast player, you'll be supporting this podcast  
at the same time.  
If you have not yet signed up for the Founders Premium Feed,  
make sure you do that.  
That link is in the show notes as well  
and available at FoundersPodcast.com.  
Signing up gives you access to listen to the Ask Me Anything episodes  
that I've made and is a fantastic way to support the podcast.  
If you want to get on my free email newsletter,  
that link is also in the show notes.  
I email my top 10 highlights of every book that I read.  
As always, links below and available at FoundersPodcast.com.  
That is 293 books down.  
1,000 to go and I'll talk to you again soon.  
Okay, so I'll be back on episode 227.  
I read this fantastic book called The Essays of Warren Buffett.  
So I'll be back on episode 88.  
I read every single one of Warren's shareholder letters.  
But what this book that was put together by Lawrence Cunningham  
called The Essays of Warren Buffett did that was so smart  
is that he took the shareholder letters  
and instead of organizing them by year, which is standard,  
he organized them by topic.  
And so in the original podcast I did on this book,  
which again is episode 227,  
one hour and 28 minutes into the podcast of thereabouts,  
I go over this letter that I'm about to read to you now.  
It's under the heading titled On Selling One's Business.  
And the reason I'm bringing this up is because one of the sponsors

of this episode is Tiny.

And one way that Tiny has been described is that they're building the Berkshire of the internet.

And you can go to tiny.com and read the testimonials and see all the founders that have sold their business to Tiny and how their main differentiation,

just like Warren Buffett and Charlie Munger, is there's no BS.

We're going to make this transaction as simple and easy as possible, where a lot of people that buy businesses make you jump through hoops and it's just a headache.

And so if you think about what Warren is doing here in this letter is, his business is buying businesses.

And so his customer or founders or managers of businesses.

And so he is essentially writing a letter to a guy.

So he wrote this letter in 1991 to a guy who indicated he might want to sell his family business.

And so I'm just going to pull out a few highlights here and really think about what Warren's doing is he is differentiating his services from other people that also buy businesses.

He says if you should decide to sell,

I think Berkshire Hathaway offers some advantages that most other buyers do not.

Practically all of these buyers will fall into one or two categories.

And so now Warren is going to describe his competition.

If you go to tiny.com, you'll see they described their competition.

In some ways, their competition, which is typically VCs or private equity companies.

So Warren says, number one, a company located elsewhere, but operating in your business or in a business somewhat akin to yours.

Such a buyer, no matter what promises are made, will usually have managers who feel they know how to run your business operations and sooner or later will want to apply some hands on.

And he puts the word help in quotation marks.

Obviously, Warren does not think that the managers are going to install in that business are actually going to be helpful at all.

The second other option, a financial maneuverer, invariably operating with large amounts of borrowed money who plan to resell either to the public or to another corporation as soon as the time is favorable.

Frequently, this buyer's major contribution will be to change accounting methods so that earnings can be presented in the most favorable light just prior to his bailing out and then listen to this persuasion technique that he uses because he's writing to somebody that he knows it's a family business, which means they put a lot of their time and life energy into.

So he says, if the sole motive of the present owner is to cash their chips and put their business behind them and plenty of sellers do fall into this category,

either type of the buyer that I just described to you is satisfactory.  
But if the seller's business represents the creative work of a lifetime  
and forms an integral part of their personality and sense of being,  
buyers of either type have serious flaws.  
So he's just described his competitive landscape.  
He says, listen, there's option one, there's option two,  
but then there's a new option, something that's completely different and better.  
And he's describing the services that he provides to founders, right?  
So he says, Berkshire is another kind of buyer, a rather unusual one.  
We buy to keep.  
Tiny does too, by the way, all of the businesses we own are run autonomously  
to an extraordinary degree.  
When we buy a business, the sellers go on running it just as they did before the sale.  
We adapt to their methods rather than vice versa.  
And in Tiny's case, it's up to the founder if they want to stay or if they want to go.  
Tiny's fine with either solution.  
And then Warren does something fantastic.  
He's like, listen, you know who the past businesses that we bought.  
In fact, I'm including in this letter a list of every single person  
we've ever bought a business from.  
Tiny does something very similar on their website, which you can go see.  
You know some of our past purchases.  
I'm enclosing a list of everyone from whom we have ever bought a business.  
And I invite you to check with them as to our performance versus our promises.  
And then Warren says, hey, I'm going to keep it simple with you.  
If you should decide to do a business, do business with Berkshire,  
we would pay in cash.  
Tiny says the exact same thing on their website.  
Your business would not be used as collateral for any loan by Berkshire.  
There would be no brokers involved.  
Warren also says you deal with me.  
And finally, you would know exactly with whom you are dealing.  
You would not have one executive negotiate the deal,  
only to have someone else in charge a few years later,  
or have the president regretfully tell you that his board of directors  
required this change or that change.  
And because Warren has hacked away at the unessential,  
all that is left is simplicity.  
And his pitch is simple.  
Do you want a great home for your business?  
Then call me and I will do a cash transaction really fast.  
Same thing that Tiny does.  
I will not pester you.  
If you have any possible interests in selling,

I would appreciate your call.

I would be extraordinarily proud to have Berkshire,  
along with the key members of your family own blank.

So you took out any identifying information of who he's writing to.

Okay.

I believe we would do very well financially.

And I believe you would have just as much fun running your business  
over the next 20 years as you have during the past 20.

Sincerely, Warren Buffett.

I think reading the entire letter is worth your time.

If you buy the book, it's on pages 230 through 233.

And make sure you go back and listen to episode 227,

The Essays of Warren Buffett.

If you have not done so already.

And if you have a business that you're interested in selling,  
now or in the future, make sure you go to [tiny.com](http://tiny.com).