USC | BUSINESS

Volume One Fall 1990

The Alumni Magazine for the School of Business Administration

Entrepreneurship : Balancing the maze of opportunity

Four alumni discuss their entrepreneurial ventures

An examination of how Entrepreneurship is taught at USC

The Making of a Deal Meister

Sutro & Co.'s Lloyd Greif offers an example of how an entrepreneur can succeed while working in an existing organization.

Talk to an investment banker these days and you typically hear pessimism expressed. A bearish market. Little activity on the Street. Small—if any—bonuses. Layoffs.

Then talk to Lloyd Greif, Vice Chairman and Managing Director of Corporate Finance at Sutro & Co. Incorporated. The conversation takes a decidedly upbeat tone. Even bullish. "We are doing more and larger deals than ever before," explains Greif. "We have a big backlog, so we're taking a 'contrarian' approach. We're hiring, not laying off."

Greif's optimism comes from the success he and his firm have had in providing financing to mid-size growth companies. Pursuing the middle market, a niche that the larger, East Coast firms have pursued with less intensity and aggression, has allowed the firm to grow dramatically. Geography also has helped. "New York isn't where the action is any more," contends Greif. "In my opinion, the 1990s will be the decade of the middle market and I wouldn't give up being in Los Angeles for New York or even Hong Kong. Those cities offered tremendous excitement and opportunity during the 1980s, but I can think of no better place to be an investment banker in the 1990s than in Los Angeles. This decade is shaping up as the decade of the middle market deal and the middle market company. And Los Angeles is the middle market capital of the country, if not the world."

As an investment banker who has completed numerous financing deals for entrepreneurial companies entering mid-size status as well as heading Sutro's corporate finance and venture capital practice, Greif is positioned to offer insight into how the capital sourcing element of the entrepreneur's infrastructure is changing. In addition, his work at Sutro & Co. provides an example of how entrepreneurs can flourish within the confines of a large organization.

Greif is not unaccustomed to working in large organizations. While pursuing his undergraduate education at UCLA, he worked at Ralphs at night. After graduating from UCLA with a degree in economics in 1977, he continued to work at Ralphs while attending USC's School of Business Administration's Food Industry Management Program (FIM). After completing the FIM certificate program in 1978 — a program he found to be of "great value" — Greif decided to seek an MBA. He opted for USC's MBA program because of its Entrepreneur Program. "Like most MBA programs, USC basically appeared to prepare you for some staff or mid-level management position. The Entrepreneur Program, in contrast, was the only thing that really prepared you for the top position."

With his MBA degree in hand, Greif concluded that he wanted to pursue a more varied career than retail, so he entered the consulting arena. After completing an initial consulting project with a professor from the FIM, Greif joined Touche Ross & Co. where he conducted a variety of consulting engagements and attended Loyola Law School at night. To his frustration, much of the consulting work involved public sector clients. "We'd go out and figure out how to make a government agency more efficient, but that meant they'd have a smaller budget in the future, so our recommendations would just end up sitting on the shelf." But the lack of closure bothered Greif in the private sector work as well, since "we conducted lots of analysis but didn't get to assist in the actual implementation." Consequently, he jumped at the chance to join Sutro & Co.'s Los Angeles office.

Investment banking appealed to Greif because it offered the constantly changing topics consulting presented, but with the advantage of being involved in the opening and closing elements of a project. "You nursemaid a deal from inception to closure if you are going to be successful in investment banking," explains Greif.

His subsequent rise within Sutro has been described in the press as "meteoric." Since starting as Corporate Finance Associate in 1981, Greif was named Assistant Vice President in 1982, Vice President in 1984, Senior Vice President in 1985, the youngest member of its Board of Directors in 1987, Director of the firm's Mergers, Acquisitions & Leveraged Buyouts Group in 1988, Executive Vice President in June 1989, and Vice Chairman and Managing Director of Corporate Finance in November 1989.

Yet with that rise have come additional management responsibilities — tasks that initially seem to endanger Greif's first love of doing deals. The act of doing deals — of calling the shots — provides Greif his chance to be an entrepreneur and he indicates that that is what gives him true pleasure. "If I ever get into a situation where I'm an armchair quarterback and I don't do deals, and I don't have the direct client contact, you can lay me to rest. You can send me a wreath." So what does he do about the increasing managerial responsibilities? "It's an additional burden on the day, but I deal with it. I worked full-time while attending full-time educational programs in college and grad school. Now I just apply the same type of regimen I learned then so that I can continue doing deals while assuming additional managerial responsibilities."

"The 1990s will be the decade of the middle market and I wouldn't give up being in Los Angeles for New York or even Hong Kong."

That discipline often involves toiling into the night, but Sutro's investment banking chief contends that the long hours are necessary: "I don't think you can be successful in business and work a nine-to-five shift. I don't think the two go hand in hand. Either you do what it takes to get the job done right and do the best job you can or you're not a success. Doing that doesn't fall into a nine-to-five routine very neatly.

"Does that mean I have to make (personal) sacrifices? Yes, but I view them as necessary. And I try to make the time I spend at home with my family (at least one full day per week) *quality time* — a cliché-sounding term I admit, but fitting nevertheless."

Greif also recognizes the need to "cleanse my veins" occasionally. He used to skydive to clear his mind, but now hunts wild boar, which he adds is done from a "conservation-minded standpoint" since he eats the game he stalks. "The last thing you think about when you are hunting is what calls you need to make on Monday morning. If you do that, you'll get gored or something."

That single-minded approach does not imply that Greif takes a myopic view of the world. On the contrary, he prides himself on his ability "to pay attention to detail while not losing perspective," a quality that Greif thinks the Entrepreneur Program encourages in its students. The program exhorts its students "not to forget the small picture, but always to look at the small picture in the context of the big picture." This "helicopter" perspective enables Greif to draw on his legal training when considering fine details while keeping in mind the final business outcome desired from a negotiation session.

That is an advantage Sutro brings to its clients by adhering to its philosophy of being intricately involved in a deal from start to finish, according to Greif. And that approach varies from the many firms that end up sitting back and waiting from afar for the attorneys to finish the deal's specifics. The danger in the latter approach, argues Greif, is that the new people brought into the deal — say, the attorneys — do not understand the nuances of the deal or the personalities involved. In addition, "sometimes attorneys can be very rigid, but nothing is rigid when negotiating a possible deal. Nothing is black and white. But an attorney can often fall into a tunnel-vision perspective and say, 'This is fair,' or 'This is not fair.' Those terms just don't apply since they assume right or wrong. There is no right or wrong in deal negotiations.

"We approach a client's deal as a zealot by staying in touch with all elements making up the deal marketing, negotiation and closing process. That way, we deliver the best deal possible. It sounds overly simplistic, but I resort to the retailing credo: 'the client comes first.' When my

The Making of a Deal Meister *continued . . .*

conscience tells me I've done a good job for my client, I sleep soundly."

Because Sutro & Co. primarily pursues smaller-sized transactions, his clients lack the degree of sophistication that larger investment banks are accustomed to dealing with, but instead of viewing that as a liability, Greif considers that to be an advantage for any service-driven investment firm, such as Sutro. "We take a hands-on approach so that even though a client might think they want to do one type of a deal, say an initial public offering, we might end up recommending a different type of transaction. We aren't afraid to do that because we hope they will like our service and come back to us for their next transaction. We are dealing with growing firms, so we want to grow with them."

Greif portends that the difficulty in raising capital among smaller companies, particularly early-stage firms, will remain difficult. "Given today's unsteady economic and political climate, most venture capital firms are opting for less risky transactions, such as leveraged buy-outs of more mature companies. It's tougher to get venture capital, but that is not to suggest that it hasn't always been a formidable task.

"We try to look underneath the surface when considering new prospects," explains Greif, and that primarily means taking a close look at the management team. "When I first looked at L.A. Gear, I saw a firm that was barely breaking even. Other firms were passing on them, but my retail background helped me recognize that there was a market for their initial product line, so I looked at them a bit more closely, particularly at their management. I met Robert Greenberg, an absolute dynamo. Similarly, with Pinkerton's Inc., I encountered Tom Wathen and, again, I saw the makings of a great management team. The street-smarts I developed while in the retail industry help me assess people and that's important in this business since it is a people business. The number crunching can be done by virtually anybody with a college education. What is key is being a good salesman and being able to size-up somebody quickly. How do I do that? I think it's partly intuition, but that intuition is not something that you are born with; it's something you develop over time."

"The number crunching can be done by virtually anybody with a college education. What is key is being a good salesman and being able to size-up somebody quickly."

Yet even with the ability to judge management teams quickly, Greif recognizes that his success depends on the perception of his professional credibility. "It takes forever to build a reputation and maintain it, but it can be lost in a second with one dumb move." That is one of the main reasons Greif refuses to work for the Los Angeles office of any New York-based investment banking firm: "An LA office is a puppet of the New York office. When the LA office sources a piece of business, a hit team from New York flies out and processes the deal, but my reputation would remain on the line. I'd have no control over what's happening to it once I sourced the business. I can't do that. I've got to have control. It's my reputation that I've got to be worried about because that is all you have going for you in this line of work — your good name."

Reputations are particularly critical in investment banking because virtually all business is done through referral. "If you don't satisfy a client, you're in trouble not only in not gaining additional work from the first client, but from everyone else who knows that client," explains Greif. Ultimately, "it's networking, networking, networking." And according to Greif, the USC network has served him well. As a member of the Entrepreneur Program's Advisory Council, he met Bradley Scott (also profiled in this issue), which led to Greif's arranging the purchase of Scott's Los Angeles Auto Salvage Inc. by Equivest Partners, Inc. The same USC network connections led to deals for Pinkerton's and other firms as well.

"Now, I didn't stand still and wait for people to come to me. Networking requires going out and meeting people, establishing your own network and contact base," explains Greif. "You need to get in the door and existing networks help you make that first step."

Once in the door, Greif argues that it is "essential to remember your roots. We're in the service business. To be successful, you need to think about what is in the best interest of the client. If you do that, you'll be successful. It's extremely basic, but it's amazing how many people either ignore that rule or forget about it. They will follow it for a while and gain a degree of success, but once they become successful, they forget about that basic tenet. They get cocky. They get arrogant.

"I might take pride in our firm's success, but I'm not so arrogant that I'm going to forget what got me here and what will keep me here. The day we put our interests ahead of one of our client's interests is the day you might as well shut our doors and padlock them. On any given deal, you've got only one client: it's the one who signed the contract, who will sign the check when you finish delivering your service, who will point other businesses your way. It's not hard to figure out what's best for the client — just listen to your client's needs and 'do unto him as you would have him do unto you.'" ■