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LOSS CREATES LEADERS

Loss is personal for me. I learned the importance of the first law of love leadership—loss creates leaders—when I was a child and my family struggled with money problems. It was my family’s collective loss that led me to become the leader I am today.

The number one reason why families divorce in America is money, and this sad fact became a reality in my home when I was five. Up to that point, my family had been living the American dream. Here was a hard-working, enterprising black family from the South, headed by a mother and father armed only with an eighth-grade education. (My mother would go back to school at age sixty-two to receive her high school equivalency, later marching in cap and gown to obtain her diploma in a sea of eighteen-year-olds.) Within a short period of time, my mom and dad accumulated their own home, an eight-unit apartment building that we rented out, a nursery my mother ran, a

gas station in South Central L.A., and a construction company my dad ran.

There was only one problem: my dad was financially illiterate, and too proud to admit it. He would make a dollar and spend a dollar and fifty cents. The more money he made, the more broke we got. Just as quickly, we lost almost everything.

The apartment building went, and the nursery went, and the gas station went, and soon my mother went. There were arguments and then a fight that turned physical. At age five, I had to call the police on *both* my parents for beating up on each other. One day, my mother went to the bank to withdraw the \$4,000 of life savings she had accumulated to send my brother to college, only to find that it was all gone. My dad had gotten there first. That was the last straw. Messing with my mother was one thing, but messing with her dreams for her children, that was something altogether different.

My dad was and is a great man. I loved, even idolized him. It was not common among his generation to show much emotion or even to say, "I love you," but I knew that he did love me. There's no denying, though, that understanding the unique language of money and how the financial system worked has always been his blind spot. After their divorce, my dad was able to hold on to his construction company, but he would never build any real wealth or assets to speak of.

Around the ninth grade, I moved out of my mother's house in Compton, California, to South Central Los Angeles to live with him. Life with my dad was both easier and harder than living with my mom and sister. There were no bothersome chores, but he compensated for that with an obsession that I get the quality education he never received, that I stay away from girls, and that I work in his construction company when I had extra time.

The Reverend Dr. Martin Luther King Jr. once said that "a man cannot ride your back if you are not bent over." My dad was a proud man, with his back straight up. But one day a mortgage broker showed up at our house and began to sweet-talk my father into a refinance of his home.

Unfortunately, my father was a bit too proud, and he failed to ask critical questions that would have guarded him, and us, against financial predators. And when he did ask questions, they were the wrong ones. My dad asked, "What's the payment?" instead of "What's the interest rate?" As we've seen in the subprime mortgage crisis, when low teaser interest rates later exploded upward and threw millions out of their homes, you should never ask what the payment is when an interest rate is attached.

My father signed what is known in the predatory lending business as "a perfect eyesight loan": twenty points and 20 percent interest. You get the loan, and you go blind. When the rate resets upward automatically after a short

time, you can't afford the mortgage, and the lender forecloses on your house.

In the end, we lost our family home in just this way.

MY FALL FROM GRACE

I got my work ethic from my dad, but I learned *financial literacy* from my mother. She worked for many years and retired from McDonnell Douglas, now Boeing. In addition to working at her job, she often sold things to her coworkers, from candy (wonder where I got that idea from?) to a range of handicraft and food products that she would sew and cook herself. This augmented her income and provided her a measure of independence as well.

My mother learned from the loss and the lean years of her childhood, first in Carbon Hill, Alabama, where she and her sisters grew up in a shotgun shack, and then later in East St. Louis, where her parents moved for a better life. When she was a little girl, she would work outside the house to make money for the family: scrubbing floors on her knees and digging up roots to sell to make wild-crafted medicines. Her dad had died when she was very young, leaving her mom to raise six children alone.

I recently asked my mom how she became financially literate. She told me:

I had worked all day and my mother would say, "Baby, you got any money?" She loved to play the

numbers and play the horses. But I always had the sense to never tell her how much I actually had. If I had \$4, I'd tell her I had \$2.

“Let me have it,” she would say. “I have a feeling I'm going to be lucky today. I'll pay you back.”

And I'd give her the money, and the next day would be the same. And so I learned that charity starts at home. If I was ever going to have anything, I had to make sure I saved something for me and my future, even while I was trying to help my mother and to contribute. I had to accept that while my mother was amazing on many levels, she was not perfect.

I admire her for what she did—she built a house in East St. Louis for \$500 in cash money she had saved. In spite of her being a gambler, she still taught me the value of money. I took the bad and made good out of it. I remember saying to God when I was seven years old that if I ever got to be a grown woman and had any children, I hoped I would raise them better than I was being raised.

She vowed never to be poor as an adult. Her children would have the financial resources and the love that they needed to live a dignified life. And we did. She went on to

buy and sell five homes, and today she is financially independent, living in Houston, Texas.

My mother understood that life wasn't about making more money; it was about making better decisions with the money you made. When she said she was going to purchase a car, she meant in cash. The entrepreneur in her would often tell me growing up, "The man will set your salary, but you decide your income."

Despite her teachings and my desire for a different financial life than my father's, I ultimately ended up in a similar spot and for similar reasons: losing the roof over my head because I couldn't manage my money. This is how it happened.

When I was about fifteen, I told my dad I wanted to go to private school. My father didn't want to admit that he didn't know how to *get* me into such a school, so he just said, "You find the school, and I'll pay for it."

Being only fifteen, I had no idea how to choose a school. So I took out the phone book, opened it up to private schools, and ran my finger down the listings until I reached the Hollywood Professional School. After the success of my candy business, I knew I wanted to be a businessman. "Professional school" sounded like a business school to me.

When I arrived at the school for a tour, I kept passing all these famous child actors: Todd Bridges, Tatum O'Neal, Griffin O'Neal. I finally realized I was in a school

for child actors, not a business school. The Hollywood Professional School held classes in the mornings for kids in the entertainment industry who were actively working. These actors didn't want to go to school on the set. They wanted a normal life and to be around other kids in entertainment.

At my interview, the ninety-year-old director of the school stared at me for the longest time, trying to figure out which TV show I was on. But it was impolite to admit you didn't know who someone was in Hollywood, so she just assumed I was somebody. I didn't exactly lead her to believe otherwise, so she signed me up for school, and my dad wrote the check.

Casting directors naturally found the school to be a convenient one-stop shop for child actors. I got my first few minor acting gigs just from sitting in the classroom as casting directors would come in and announce, "Who's interested in the next show?" I began to get some bit parts on a number of TV shows, eventually landing minor roles on everything from the hit show *Diff'rent Strokes* to an episode of *The Twilight Zone* starring actor Danny Kaye. One thing led to another, and I became a child actor myself.

I was what I call an illegitimate child celebrity. By that I mean I was acting, but my promotion of myself as an actor was far better than my acting itself. This was when I began to appreciate my talent for marketing, but admittedly, my product was still weak. Nonetheless, by the time

I was seventeen, at the height of my acting career (such as it was) I was bringing in thousands of dollars every week. The problem was, I was spending a whole lot more than I was making. I had the lifestyle to match: I lived in a beach house in Malibu with Kevin Wilson, comedian Flip Wilson's son. Eddie Van Halen lived nearby and would come over for our wild parties.

Around that time, I decided I wanted to become an entrepreneur. I started one money-losing business after another. Every entrepreneur wants to be shot out of a cannon, including myself, so it was a bit of "ready, fire, aim." I had the ambition, but I was impatient. I lost my shirt over and over again. If I had any redeeming quality at the time, it was that I never, ever gave up.

The last straw was a concert promotion business I ran when I was eighteen years old. I was promoting a concert for one of the many former lead singers of the Platters, and the concert was a first-class flop. That was the end-game for me. At that point, I ran out of options.

I went from living in a beach house in Malibu to living in my black Montero Jeep near the airport. I parked my Jeep in a desolate parking lot behind an old Italian restaurant at the corner of La Tierra and Airport Boulevard in Los Angeles, where no one would notice me. Just to be sure, I put my car cover over the Jeep and then dropped it over the back door as I crawled inside for the night. I kept food in an Igloo.

Oddly enough, whenever I get driven to the airport these days, now by a car service and not in an old Jeep, I pass by the location where I was homeless all those years ago. Every week I am reminded of where I could end up if I were to make those same stupid mistakes again. You never get too big for your britches.

My dad lost his house and much of his wealth because he didn't know enough about managing his money. In contrast, I knew better: my mother taught me valuable lessons about making a living. I wanted to avoid my father's financial mistakes, but I was young and full of pride, not paying attention to both making and keeping my money, and I landed right where he had.

LEADING FROM LOSS

I regularly meet with executives of powerful companies in my work on behalf of Operation HOPE. People sometimes ask me how I deal with the ever-present possibility of rejection from these high-powered CEOs. I say, "What are they going to tell me, 'no'? I've been homeless for six months. I've been on the floor of life, and you can't fall from the floor. What is 'no' after that?"

I lost almost everything when I was homeless. But the interesting thing is that once you understand what loss really is, once you lose someone dear to you, or once you lose yourself, you gain the world.

Once you learn that the world didn't come to an end and that you could work your way back to being whole again, you gain enormous confidence and wisdom about how to live: how to have humility, what matters and what doesn't, how to succeed against all odds. It builds up an enormous strength inside you.

Most people find strength in things that are outside them: money, power, titles, wardrobes, cars. But most of the things that make a leader are on the inside: integrity, wisdom, confidence, vulnerability, joy, passion, compassion, intuition. These things come from life experience, from life's trials, from the deepest part of a person's soul. You can't fake them, and you can't buy what's not for sale.

My mentor Rev. Murray says, "Life asks a question of every leader that gauges their effectiveness and wisdom: 'What have you been through?' Following battle, King Arthur would have his knights line up before him, asking of each, 'Show me your scars.' If none existed, he would say to the warrior, 'Leave me and go get your scars.'"

I have learned that authenticity counts, and that the best route to an authentic life is through your scars. As you earn them, you learn to drop the B.S. in your life and to attach yourself to the substance in your life—and to the substance in those around you. Precisely because of that history of loss, you never take yourself too seriously or get needlessly seduced by short-term materialism. In other words, loss helps ground you as a person.

There's a hard lesson in life's setbacks: *just as steel is forged through fire, leaders are forged through loss*. There can be no strength, no real inner growth, without the pain of legitimate suffering. It's a scientific fact: you cannot have a rainbow without a storm.

That's why I believe that the first law of love leadership is that loss creates leaders. If love leadership means learning to think clearly for yourself, putting others first, and banishing fear, it is loss that lays the groundwork for the kind of growth that leads to a love-leadership perspective.

Loss creates leaders with a competitive advantage earned in the school of hard knocks. The advantage comes from the tremendous personal and professional growth loss generates. And rarely does that growth lead in directions you could or would have predicted.

The storms of life offer an opportunity to respond in one of three ways to personal tragedy or failure:

1. You can give up.
2. You can try to cope using whatever dulls the pain most, be it alcohol, drugs, sex, work, money, or success.
3. You can grow and create something useful out of your experience of loss.

The choice lies between legitimate suffering now and illegitimate suffering later. The first two options are what I call *illegitimate suffering*. Giving up and coping are code

words for avoidance, and the story of avoidance never ends well.

Only the last option allows you to harness fear and turn it into the strength to lead with love. The route to real growth is through legitimate suffering. Managing your personal sense of loss gets you there strongest, fastest, first.

Loss is wisdom acquired early.

Wisdom comes from dealing with your mess. All of it. But few people want to do that because it is just too much: too much work, too much acknowledgment, too much remembering, too much pain. But I have found that there is freedom in surrendering to this work, to saying “Yes, that happened, but it doesn’t define me. What does not kill me will only make me stronger. I made a mistake, but I am not a mistake.”

The net effect of saying this over and over again in your life, of reaching a wall and climbing over it, is increased confidence in yourself, and faith in others and this world of ours. As strange as it sounds, loss is making you stronger, with every round.

The calmest place is the eye of a hurricane, but most people in their fear would almost instinctively flee to the edges of the hurricane instead. What if we all made a commitment to live centered in the storm? After a while, we’d get used to the center of the storm. Storms would not seem so bad after all.

Now all of this may sound brave, and maybe even courageous, but it is not. What we call courage is nothing

more than an act of faith, of reaching *through fear*. We display this quality publicly to others as what we call “courage.” Ask people who have done something deemed courageous, and they will tell you they did not feel courageous at all when they did it. They felt scared, just as you and I would in that situation. What made the difference was how they responded to their fear.

I believe that the whole purpose of life is to become comfortable in your own skin. How do you do that? Simple. Learn to get out of your own way. How often? Every single day.

You are the best asset and absolute worse obstacle in your life. No one can help you better than you, and no one can hurt you more perfectly. No one in this world knows you better.

Becoming comfortable in your own skin comes from dealing with your pain, from getting on the other side of fear, from experiencing loss and appreciating its inherent lessons of wisdom and learning—and all the while *discounting* its ultimate long-term value in determining your outcome in life.

Becoming reasonably comfortable in your own skin is the goal, and experiencing, managing, and surviving personal loss is the all-time best route.

It has worked wonders for me. Every time I walk into the office of a Fortune 500 CEO or a world head of state, I remember that I was homeless and survived it. After that moment, I am free and easy. So, too, will you be.

GREAT LEADERS FORGED BY FIRE

Most great leaders in the world have come to the wisdom to lead through loss.

Franklin Delano Roosevelt contracted polio when he was thirty-nine years old. He persevered and became president for four terms, leading America out of the Depression and to victory against fascism. Rainbows after storms.

It was the loss of her thirteen-year-old daughter to a drunk driver that led Candice Lightner to found Mothers Against Drunk Driving (MADD), which has saved the lives of thousands of people. This work has likely helped her put her own life back together as well. Rainbows after storms.

Banker Leslie Maasdorp lost his freedom to South Africa's vicious apartheid regime. He had risen up through the ranks as a student leader and was thrown in prison for thirteen months. He remembers:

The irony of the prison experience is that it was actually one of the best things in many respects. For the first six months when I was detained I had no books. And then the university fought a case against the government, and the high court decided students who were registered before they were arrested must be allowed to continue their studies. So I had my books again. I was in a single prison cell, alone, and I received my degree cum

laude. As a result of receiving my degree cum laude, I got scholarships anywhere.

He went on to earn a master's degree in economics from the University of London, then moved back to South Africa after apartheid ended. He worked in the African National Congress government for seven years, first as an adviser to the minister of labor and later as the deputy director general in charge of restructuring and privatizing state-owned enterprises. In 2002, he was recruited to work as an international adviser for Goldman Sachs. Today he is vice chairman of ABSA, the largest retail bank in South Africa, which is owned by Barclays Capital. Rainbows after storms.

At age eighteen, Rodrigo Hübner Mendes was studying to enter the medical school in São Paulo, Brazil, when he was shot through the neck in a random, senseless carjacking.

He remembers seeing images of his young life flash before his eyes, but suddenly having a sensation that his story was not over, that he had to finish his story: "And at that moment, I just said, 'No, I will not die.' And when I said no, I just came back to reality, to real time, and I was lying on the floor. After you pass through this point where you get very close to the limit, to the extreme, that shows you other perspectives. It changes your point of view."

Mendes began a slow rehabilitation to recover some movement, but remains in a wheelchair and paralyzed from the neck down. One day during his recovery he met

an artist who offered to give him painting lessons. Mendes began to produce series of watercolors. Soon his work had garnered enough acclaim to call for a public exhibition.

In 1994, he founded the Rodrigo Mendes Institute, a visual art school dedicated to creating opportunities for low-income minorities and people with disabilities in Brazil. Mendes later went on to business school and launched a career as a consultant at Accenture, the global Fortune 500 consulting firm, overcoming his disabilities to lead a team of consultants and gain the respect of the executives he worked with.

After four years, however, Mendes faced a choice: continue at Accenture or go back to leading his art school. He remembers:

I compared the two options I had. If I decided to go on as a manager at Accenture and if I was successful, what would be left of my story after my death? “Rodrigo became an executive; he was successful; he overcame his disability.” That’s OK, but compared to the second option, which would be to help Brazil improve its education model and to offer opportunities for an important portion of the population, that would make me much more happy. Nowadays the Institute maintains projects in different states of Brazil offering training to public schools regarding inclusive education.

My experiences showed me that happiness is a point of view. Happiness is not a result of what you conquer compared to what society believes; happiness has to do with how you see the world and the point of view you follow during life.

We have a strong power to define the size of our challenges or, if you wish, of our adversities. When I am dealing with some obstacles, some kind of difficulty, I always try to remember that I have this power to minimize them and to make the best of any kind of situation. If you take a look at the life story of any kind of human being, you will see that there are a lot of things that happen with us that we are not able to control. Normally we don't see these changes and these surprises as sources of opportunities. Since we are not prepared, most of the time we don't take advantage of them, and we just lose opportunities to grow.

For my political hero, former president Bill Clinton, I believe that his point of view was changed radically after both public and private losses in his life, including, of course, the well-publicized scandals and his impeachment and later acquittal. Here is a man who is clearly stronger and, it appears, even wiser following the setbacks in his public and private life. If it weren't for the storms of his

presidency, I am convinced that the world would not have had the benefit of the full focus of one of the most brilliant political minds and most authentic public servants on the planet.

Clinton told me recently that the defeats in his life, including his earliest political setbacks, have only made him stronger:

When I was young, I often lost [student] elections in part because I was in the band and not a star athlete. Then when I didn't come out on top in music contests, losing was even more painful. My mother taught me not to feel sorry for myself and told me to keep trying. She said I had good health, a good mind, and good friends, so I should just count my blessings and do more with them.

When I was defeated for reelection as governor in 1980, I was in bad shape and full of regret that I would no longer be able to do the work I loved so much. At that moment, there didn't seem to be much future for me in politics. I was the first Arkansas governor in a quarter of a century denied a second two-year term, and probably the youngest ex-governor in American history. But if I hadn't been defeated, I probably never would have become president. It was a near-death experience,

but an invaluable one, forcing me to be more sensitive and understand that if people think you've stopped listening, you're sunk.

Out of his loss has come extraordinary global leadership. Since leaving office, his work—from the Clinton Global Initiative, to the various initiatives of the Clinton Foundation, to his work with Operation HOPE to help over a hundred thousand survivors of Hurricane Katrina—has impacted millions around the world. I am convinced that the best is yet to come for him.

Another one of my heroes, Quincy Jones, told me that loss makes some people swing for the fences the next time, to put even more at risk. He learned that lesson after he recovered from being in a coma and had two surgeries for a life-threatening congenital weakness in the arteries of his brain:

As you go through life and as you stumble, psychologically you retreat. And you become cautious and reticent and a little careful about things. So a simple victory encourages you to make a giant step the next time and another giant step. As soon as you fall you get right back up and hit it again, and you make giant steps. And then you get to the point where nothing scares you, which is where I'm at now.

You try and try again and put more at risk, which puts you in an even greater position to succeed. I'll put it even more succinctly: success means going from failure to failure without a loss of enthusiasm. You just never, *ever* give up.

Dr. King gave his "I Have a Dream" speech a hundred times before the historic march on Washington in 1963. An instructor at Crozer Theological Seminary gave him a C+ in public speaking and said that if King didn't stop speaking the way he did, he would end up an utter failure.

But King had passion, and he decided to continue to be the individual he was. He didn't give up on the fiftieth speech when kids were going to sleep in the church, or the eighty-fifth speech when people were walking out the back door. If he had given up the ninety-ninth time, America would be a different place today. But he gave that hundredth speech, and you know what? America finally believed in his multicolored dream. As a result, there is a man named Barack Obama who is the forty-fourth president of the United States of America today.

Dr. King never gave up, even when he faced death. Civil rights leader Andrew Young, King's top lieutenant, told me a little-known story about the time in 1960 when Dr. King came face-to-face with the possibility of the loss of his own life:

Martin was arrested for picketing at the Atlanta sit-in, and they took him to the Fulton County Jail and charged him with violating probation for driving in

Georgia with an expired Alabama driver's license. They put him in chains on his hands and legs, chains behind him, and threw him in the back of a paddy wagon with a snarling police dog.

He was rolling around on the floor in chains, and they drove him from Atlanta to Reidsville State Prison, which is over two hundred miles away on bad Georgia roads. It was an eight-hour ride with death.

He very seldom talked about that experience. He laughed and joked about being stabbed, and he talked about his home being bombed. Everything else he could deal with comfortably. But that was the time he came to grips with death. And he used to say, "You say you're ready to die—you just don't know. But once you cope with that fear of death, you don't have to fear nothing else."

That's how loss creates leaders. Loss strips away your physical crutches, and even your emotional crutches, and leaves you with nothing but the spirit. And in the spirit lies your true power.

Loss fires your spirit, and it steels your mettle. Even if the hardship you've experienced in your life is more prosaic than Dr. King's, you have experienced your own personal pain: the loss of a job, a personal betrayal, a major

disappointment. And out of that pain, you gain not only strength and a competitive advantage but also something even more essential: learning. Learning is the source of your advantage.

Not many people know that California banking leader William A. Hanna, managing director with California Technology Ventures and the Jacobs Capital Group, flunked out of McGill University. He went back and graduated in the top third of his class.

Then he almost flunked out of Harvard Business School. At the end of the first semester, he got a call from the dean threatening to kick him out of Harvard if he didn't shape up. Hanna committed himself to spending the next three months in the library, and earned his MBA. He learned something from these experiences that stuck with him:

Those defeats and setbacks have come because I was not focused and because I was not committed. I did not know what I was getting myself into, and I did not get into the details enough. When you focus, when you're committed, when you get into the details, and when you have the support from your family, there's nothing that can stop you from succeeding. Absolutely nothing.

Crushing defeat hits hard because you never want to admit that you failed. I ran Bank Audi California with Joe Jacobs, and Joe used to have a little sign

on his desk that said, “Babe Ruth struck out 1,330 times.” We don’t think about Babe Ruth striking out 1,330 times. We just think about him having 600 home runs. But the fact is, he struck out a lot.

LOSS GIVES YOU AN ADVANTAGE

“At the end of the day, we’re dealt the cards we’re dealt to make us stronger,” my friend Lynn Pike, president of Capital One Bank, told me recently.

The cards I’ve been dealt—my family’s collective loss due to divorce and money problems and my own personal business failings—have not only made me stronger but also made me the leader I am today, working to fight the very banking practices my family fell victim to. Not only that, my loss gives me a competitive advantage.

I say this humbly, but without flinching: you can’t compete with me in my space, because you can’t compete with passion. Most employees show up nine to five. They’re very nice people, but they’re passionate about their family, and they’re passionate about their hobbies. I go from six in the morning until nine at night every day. My people are on fire with changing the world and eradicating poverty.

It’s just like the magic of compounding interest—except I’ve got the magic of compounded hustle, and I’ll run circles around most people because I’m passionate. Financial literacy is personal to me. I will put things at risk that most people wouldn’t.

That perspective comes from loss, and in particular from my experience with homelessness. The personal story I shared with you at the beginning of this chapter was not complete. See, I wasn't completely destitute when I was living in my car: I had \$500 a month coming in from the residual payments of various acting jobs. At that moment, however, I faced a choice—rent an apartment, which was socially acceptable, or rent an office, which might make me some money. I decided to rent an office on the border of Beverly Hills from a friend who had extra space in her public relations firm's office suite. I would stay there late in the evening working on marketing for a few small-business clients until everyone left, when I could use the twelve-by-twelve-inch restroom sink to wash up. I had to leave the office about midnight for my Jeep, or else the security guard would start to become suspicious.

Even though I was technically homeless, I always made sure I had on shiny shoes and a clean white shirt. I would scrimp a couple of bucks to get my shirt cleaned, or even clean it myself in that tiny sink. I knew that people noticed those touches as a sign of professionalism. I kept up this routine for six months, when I managed to pull myself out of my predicament.

I finally got myself out of that Jeep thanks to the help of Dave O'Meara, who owned *Malibu Cinemas* at the time. One evening after I had worked a full day at my office, I went to see O'Meara around midnight in his office. (OK, it

was the candy and popcorn counter at Malibu Cinema.) I asked him to invest in yet another wide-eyed business idea.

He told me, “Look, I believe in you, John, but about the only way you’re going to give me my original money back is if you get a job somewhere.” I had never had a job, so he asked his friend Stephen Cotter Miller of Wade, Cotter, and Co., a private merchant banking company in West L.A., to take a chance on me.

I had no experience in banking whatsoever. Wade, Cotter wanted me to do equity loans. I said, “That’s great. What’s an equity loan?”

I didn’t realize it meant lending money to poor people in the inner city who couldn’t afford to pay it back—exactly the kind of predatory lending that claimed our family home. As far as these bankers were concerned, they were providing a straightforward service. But to me there were morals and ethics involved.

So I said, “I know people in Hollywood who can afford to pay your money back. When they work they have significant income, and they have assets you can loan against in the short term. Why don’t you let me show you how to make some real money?”

I brashly convinced my boss to create a new lending division and put me in charge as a partner. He wouldn’t have to pay me a salary, I proposed, just straight commission. I even agreed to share whatever profit I made 50-50. I think he said yes just to shut me up.

My first year, I failed the California real estate test that I needed to pass to do home lending—three times, which is very difficult to do. If you can breathe on a mirror and walk straight, you can pass this test. I didn't. I also made zero in revenue my first year, and everyone in the office laughed at me behind my back.

The second year, I finally passed the test on the fourth try. I brought in \$9 million in transactional revenue. The third year, I brought in \$15 million; my fourth year, \$24 million. No one was laughing anymore.

When the company I worked for ran into financial trouble in 1991, I bought out my division and started the Bryant Group Companies. I did some loan servicing, some investing, some merchant banking. And with all that going on, I was still bored.

I remember asking God, "What's my purpose here?" And sometimes you have to be careful asking questions like that, because God may actually answer you.

OUT OF LOSS AND DESPAIR, HOPE

On April 29, 1992, I got my answer. I was looking out the floor-to-ceiling glass window on the eighth floor of my Westside offices, trying to figure out my purpose in life. On that day, the Rodney King trial was just ending. I thought the L.A. police officers who had been videotaped viciously beating King after a high-speed chase would surely go to

jail for what they had done, just as King would surely go to jail for stupidly running away from them.

And then the trial of the police officers who beat King ended—all not guilty. And it destroyed my world. I was angry, frustrated, disgusted. I wasn't alone. Later that night, I turned to look out the south-facing window of my office in West L.A., and all of South Central was on fire. The police and firefighters retreated and just let the neighborhood I grew up in burn down. And it broke my heart.

The first thing I could think to do was to go down to my church. The First AME Church was where all the power brokers were meeting during the crisis, and that's where the spirit of bipartisanship was born in me. I sat with my spiritual father, the Reverend Murray, pastor of First AME Church then, who had raised me as much as my parents had. He was the person who held his hands out and kept Los Angeles together when even ten thousand law enforcement officers and the National Guard couldn't. A pastor with the voice of moral authority, compassion, and fairness held L.A. together.

In his office, I quietly sat in the corner as a student and just observed. And there was Governor Pete Wilson, a conservative Republican; there was Mayor Tom Bradley, a moderate Democrat; there was Rev. Jesse Jackson, a fiery liberal advocate. And they were all talking, to *each other*. There were conservative, buttoned-down CEOs in the room, too, and they were all asking the same questions:

“How do we move forward? How do we get Los Angeles working again?”

That was when I decided I wasn't a member of the Republican Party or the Democratic Party. I was a member of the Get It Done Party. I vowed at that point that I would talk to anyone who had solutions for my community. I didn't really care whether you were black or white, rich or poor, conservative or liberal, Republican or Democrat: if you wanted to help me eradicate poverty in my community, you were my friend. If you didn't, you were just wasting my time.

I stopped Rev. Murray, who was very busy, and I said, “What can I do to help? I'm not a politician; I'm not a community leader. I am a businessman. I am a capitalist with a heart. What can I do?”

“John, you wrap all these people up together, and all you have is a potential bus accident,” he said. “These folks cannot rebuild a community. *You* can rebuild a community. God made you for this moment. Take your business skills and put them to use.”

It was first-rate advice. I took it, all the way down to the part about the bus—except that this one wasn't about to get into any accidents. This bus was headed straight for South Central with people aboard who had the connections and money to rebuild.

I left Rev. Murray's office, called some folks, and told them I was going to organize a Bankers Bus Tour. It dawned on me that people were watching L.A. burn on

CNN as if Beirut were on fire thousands of miles away. I knew that this kind of disconnection and indifference was the death knell of the soul.

I also knew, from practical experience in the banking industry, that you don't lend where you've never been. Bankers would prefer a 7 percent return on the Westside over an 11 percent return in South Central, because all they saw of South Central on TV was crime, mayhem, and brutality.

I understood what many lenders didn't see at the time: if you drove down the commercial thoroughfares, it might look like a war zone, but if you took a right turn down a residential street, you might as well have been in Ozzie and Harrietteville. Residents had the pride of home ownership.

So I took the spiritual realm of the Reverend Murray, the advocacy realm of the community leader, the business realm of the banker, and the bipartisan realm of effective politics, and put them all together and created Operation HOPE as a partnership between government, the community, and the private sector. We would be the glue that brought everything together for poor communities who lacked banking services; who lacked financial literacy; who lacked a path to home ownership; who lacked a path to economic self-sufficiency; who lacked dignity, power, or even the simple courtesy of a returned telephone call.

The riots started on April 29, and by May 4, South Central was still burning. But on May 5, it was calm enough for us to organize what became the first of our many Bankers Bus Tours.

I remember Bernie Parks, then deputy chief of police who went on to become chief of police of Los Angeles and now a prominent councilman, saying to me, “You want to put white folks on a bus and drive them *where?*”

“I’m doing it,” I said.

“Well, hold on, let me send you some police,” Parks said.

I can still see the scene vividly: we had eighteen bank CEOs in a motorbus, and police units drove on all sides of us with shotguns aimed out the window as we drove through South Central L.A.

As we were driving, I got up at the front of the bus as if we were on a tour at Disneyland, and I started telling the CEOs the story of the buildings and the communities they were passing through. I gave them a sense of history and dignity about these neighborhoods they had never thought about or been to.

I told them that three thousand structures had been damaged in the riots, at a cost of about \$5 billion. Then I asked how many homes they estimated were destroyed. And the bankers threw out estimates as high as 10 percent.

“Wrong,” I said. “Zero. Actually, one home technically burned down, and it burned accidentally because it was structurally connected to a commercial building.”

Rev. Murray is the best commonsense economist I know, and he says, “You don’t burn that which is your own.” People burned the commercial buildings that belonged to absentee owners who funneled money out of the community, but they didn’t burn their own homes.

At the time, black people owned only 35 percent of the homes in South Central. African Americans rented the other 65 percent for the same cost as a mortgage payment. And I told these bankers they were looking at a market opportunity. If people are renting for the same cost as a mortgage payment, wouldn't they prefer to own? And wouldn't it be in America's best interest for them to own?

Here's the magic, though. If 35 percent home ownership gave the community the perception that African Americans owned all the real estate, and thus it wasn't touched, that gave me an enormous degree of hope. You didn't need a majority for a tipping point. You only needed to reach a certain point and then the community's spirits would tip toward hope.

If bankers would offer people responsible, consistent payments at a fixed rate that was equal to or lower than their rental payments, which the bankers could easily afford to do at the time because interest rates were low, then residents could build equity for their family and pay their property taxes. The bankers did, and both they and the community benefited. This was responsible lending, and everyone won.

Continuing on the tour, we came across a man named Gil Mathieu at 42nd and Western streets. He owned a pharmacy that had burned down. We stopped and the bankers got out. Mathieu explained that he couldn't get a loan from the Small Business Administration to rebuild his pharmacy because it wanted three year's worth of tax

returns. Of course, his tax returns had burned in the building. And I got out a brown paper bag that was in the bus, tore off one side of it, and said, “Who’s in?” A little bidding war broke out right there on the sidewalk for a piece of Mathieu’s loan.

Let me be clear: not one of these bankers was willing to fund this man’s \$400,000 loan and rebuild this pharmacy by himself. They thought it was too risky. But together, eight institutions combined their resources, lowered the perception of risk, and funded that loan. Mathieu eventually used only \$100,000 of it, financing the rest out of his cash flow and giving back the remainder of the money. And he paid off the loan within a year. Handler’s Pharmacy is thriving today.

That was the beginning of Operation HOPE. No one can solve the problems of poor communities by themselves. The banking industry is looking for markets, communities are looking to become stakeholders, governments are looking to create a tax base. That’s enlightened self-interest, a central tenet of the Operation HOPE plan.

I saw the inner cities as an emerging market, and the Bankers Bus Tours were like trade missions to a developing country. And pretty soon we went from one Bankers Bus Tour with eighteen people to ten chartered buses, seven hundred bankers, several high-level cabinet members, government officials, and the chairman of the FDIC. And in the sixteen years we’ve been doing this, we’ve never had a single act of violence or an accident with anyone on a

Bankers Bus Tour. In fact, after seventeen years we have never had even one incident at any of our HOPE Banking Centers in inner cities across the nation. And we are in the *money business*, in the “hood.”

I learned through this experience of loss that people didn't want to tear up their communities. I was just as frustrated with the outcome of the Rodney King trial as people in South Central were. But Operation HOPE decided to handle that frustration in a different way. Some people responded out of fear, frustration, and a lack of hope. We responded with love and patience, empathy instead of sympathy, the long view. We believed that this community offered a way for the business community to do well and to do good, too.

Operation HOPE was a way for me to do well and do good, as well. Ultimately, this work has saved me—from myself. If it hadn't been for the work of Operation HOPE over all these years, I'm sure I would have been obnoxious, self-absorbed, and very wealthy, but lonely. Giving other people dignity gave *me* dignity.

Loss has saved me.

And it is saving others. We have served over a million people to date.

We're changing the face of poverty. And all because I experienced loss. Loss really does create leaders. It puts you on the path toward love leadership—leadership based on the strength born of struggle.

And you'll need every bit of that strength to banish the fear you face every day in business.

