

# KAIZEN

CONTINUOUS  
IMPROVEMENT

Newsletter of the Center for Ethics and Entrepreneurship at Rockford University

Editor: Stephen Hicks, Ph.D. Designer: Christopher Vaughan

ISSUE 26  
JULY 2013

FEATURE

## Larry Abrams:

Entrepreneurial  
Investing



ALSO INSIDE:

Essay Contest Winners

Guest Speaker Marta  
Podemska-Mikluch

Sports Symposium

### INTRODUCTION:

*Larry Abrams is a successful, Houston-based angel investor and venture capitalist. In addition to his wide-ranging investments, especially in biotechnology, he has produced films such as C.H.U.D. and co-produced By the Sword. In 2010 he published his first novel, The Philosophical Practitioner.*

**Kaizen:** Much of your career as an investor has been in biotechnology. What attracted you to biotech?

**Abrams:** Biotech is the hope of humanity. There is nothing more exciting or that has the same potential for changing our lives. For example, beyond curing diseases, there is the possibility of one day re-engineering the genetic code which dictates that we become increasingly feeble with age and that we cannot live beyond a maximum (so far) of 122. This is the big constraint; life is so short. So anything that can prolong our lives or make them better while we are alive has to be the most important thing we can possibly do because everything else we do depends upon us being alive to do it.

**Kaizen:** Your story starts in New York. You were born there?

**Abrams:** In Brooklyn, yes.

**Kaizen:** What was it like growing up there?

**Abrams:** It was sort of like a small town or how I imagine a small town would be. It was quite nice.

**Kaizen:** What kind of schooling did you get?

**Abrams:** Public school and then Brooklyn Technical High.

**Kaizen:** Did you have strong ideas about what you wanted to be when you grew up?

**Abrams:** I always knew that I wanted to write fiction some day, but I also knew that I didn't want to sell my time, eight hours a day, to someone else who would tell me what to do with it. I was introduced to the stock market when I was 13. I had a bar mitzvah and my father bought me ten shares of something called Bayuk Cigar. I was outside playing stickball, came in for dinner, and my father opened the newspaper to the stock market pages. He pointed to Bayuk Cigar and it said "plus one." He said, "See this?" I said, "Yeah. So?" He said, "Well you have ten shares of it, so that means you made ten dollars." I said, "Whoa! Wait a minute. You mean I was out playing stickball and I made ten dollars?" He said, "Yes, because you own ten shares of this company." So I said, "Why don't I collect these things? Why don't I just collect stocks? Maybe I would have enough money coming in that I

CONTINUED ON PAGE 2



## From the Executive Director

Rockford College has become Rockford University. We were founded in the first half of the nineteenth century, and in the twenty-first century we continue to evolve. The name change reflects both our growth and our aspiration to combine the best of educational tradition with forward-looking innovation.

The nation's best universities are leading the way. One study shows that Stanford's alumni have created 5.4 million jobs and create nearly \$3 trillion in economic impact each year. Rockford operates on a smaller scale, of course, but our goals are the same: to be an entrepreneurial educational institution that enables our students to achieve win-win success for themselves and their communities.

In this issue of *Kaizen*, our feature interview is with investor Larry Abrams. I met with Mr. Abrams in Houston to talk about his investments in bio-tech, movies, and wildcat oil wells, as well as how his wide-ranging liberal arts education helped prepare him for his success in investments.

We also report on guest lecturer Marta Podemska-Mikluch of Beloit College, Wisconsin.

Let me also congratulate three students in the Business and Economic Ethics course for their excellent work. Clear thinking and communication are essential to success in life, and it was a pleasure for me to read the work of Lucas Peterson, Daniela Medrano, and Yuyang Zhao.

Stephen Hicks, Ph.D.

## LARRY ABRAMS CONTINUED

wouldn't have to do anything else." My father got very angry and he said, "I never want to hear you talk like that again. Man survives by the sweat of his brow. Anything to do with investments is strictly on the side." I thought, I don't know what his problem is, but I'm going to collect these things. That's how I got interested.

**Kaizen:** You started at the University of Chicago when you were just 16 years old. You hadn't graduated high school, so how did you get in so young?

**Abrams:** They didn't require a degree. All you had to do was pass their entrance exam. I took it and I passed it; they gave me a scholarship.

**Kaizen:** How long did it take to get your bachelor's degree?

**Abrams:** I graduated in three years with \$4,000 in debt.

**Kaizen:** What did you study as an undergrad at Chicago?

**Abrams:** I studied liberal arts. No major.

**Kaizen:** Then you went to the University of Pennsylvania for a master's degree. What did you study there?

**Abrams:** Theoretical economics.

**Kaizen:** At this point you were 19?

**Abrams:** That's right. I had always been interested in the stock market—since that Bayuk Cigar incident. So I thought if I studied economics, I would get more knowledge about how to invest well.

**Kaizen:** After theoretical economics at Penn, you went in a different direction and started a Ph.D. program in psychology at the University of Chicago?

**Abrams:** Yes.

**Kaizen:** How did that come about?

**Abrams:** Midway through my master's degree in economics, I thought, "This is boring. This is not really what I want to do." So I applied to the University of Chicago to go into psychology because I had always been told by people that I was good at sussing out what they were thinking and how to respond to people. And I enjoyed interactions with people.

**Kaizen:** Why did you decide not to finish the Ph.D.?

**Abrams:** Because in one of our courses we had a textbook that was sort of the Bible; and in that textbook it said that the rate of cure for any given school of psychology was equal to the rate of spontaneous remission. On top of that, they didn't know how to define "cure." I looked at that and said, "Now, wait a second. What are you telling me here? You're telling me

that there's no value-added that I'd be giving to anybody who comes in as a patient. Why am I here?" So I left.

**Kaizen:** Did you have another idea of where you wanted your career to go? You were a young man of 20.

**Abrams:** I knew that ultimately I wanted to write, but that was far down the road after I had bought my time back from the open market. All I knew was that I had to find a way to do that. I thought I would try to get a job somehow as an analyst analyzing stocks.

I went to several big Wall Street houses and I applied for a job, and they all said the same thing: "Have you taken accounting?" I said, "No." And they said, "Sorry. You have to have taken accounting."

By this time, I was six months out of school, no job and no money. I thought, "I have to go to a headhunter to see if they can help me out," but it was expensive. Nevertheless I went to a Wall Street headhunter, and there was a bench of people waiting to be interviewed, and the door to her office was open. There were three people ahead of me and there was one person in her office and he said that he wanted to be a stock analyst. And she said, "Well, that's pretty hard. There aren't many jobs like that open. There's one—they're picky, but you'll have to go to the Value Line Investment Survey at 44th Street."

So I quietly got up from the bench and I zipped off to the subway and went to the Value Line. I said, "Hi there, I'd like to become an analyst." They said, "Go upstairs to the fifth floor. You have to take this test." They gave me this test, which was math, general reasoning, and English. The proctor, who was the secretary to the boss, timed me on the math and on the general reasoning. On the English, she said, "You have all the time you want on this one." So I'm going through all of these questions and I get up, stretch, look out the window, and then I come back and do a few more questions. She comes in and says, "Time." So I said, "Whoa! You said I had all of the time I wanted for this." And she said, "Well, yeah. I meant that everybody always finishes it." I said, "But I didn't know that." [Laughs] I left 13 questions blank and I figured, "Well, that's the end of that." I asked, "When will I know about this?" I had very little money—I had \$80 left, and I was living in a fifth floor walk-up all the way on the east side, which I was renting for \$8 a week. It had four apartments sharing one bathroom and one phone on the floor below for those two floors. She said, "You'll hear from us in two weeks."

The next morning, I wake up and I'm brushing my teeth when I hear someone yelling from the floor below: "There's a phone call for

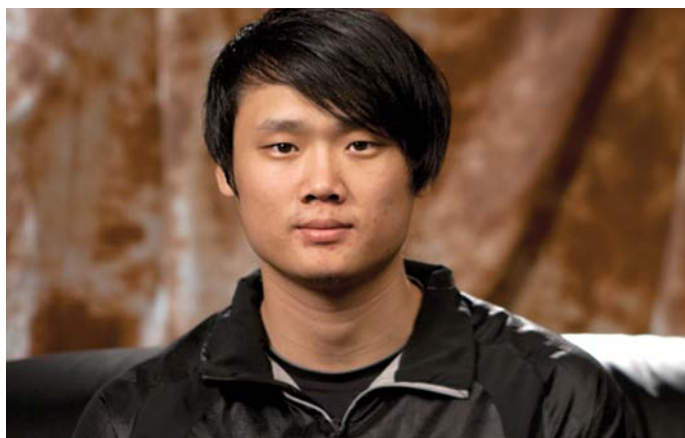
## Student Essay Contest Winners



Daniela Medrano



Lucas Peterson



Yuyang Zhao

Students in the Business and Economic Ethics course wrote on a variety of topics including whether greed is good or bad, entrepreneurial virtues and vices, and the ethics of price controls. The essays were judged on their accuracy and depth of interpretation as well as their independence of thought. Cash prizes were awarded. Congratulations to our winners!

## Second Annual Sports Studies Symposium



Aaron Harper



Shawn Klein



Trisha Phillips



Carl Robinson

On April 19, professors Shawn Klein and Michael Perry hosted the second annual Rockford College Sports Symposium. Six panelists presented research on the themes of fandom and fantasy, including: “What is fan-based sport about anyway?”; “Fandom and Sport: Encouraging Hate”; “Playing with Nietzsche: Play, Nihilism, and Value Creation.”

## Guest Speaker: Marta Podemska-Mikluch



Professor Marta Podemska-Mikluch visited Rockford University on February 26. She gave a talk on “Succession, Elections, and Self-Governance.” Professor Podemska-Mikluch is a visiting assistant professor of Economics at Beloit College. She recently finished her dissertation at George Mason University on the democratic decline of the Polish-Lithuanian Commonwealth. A video interview with Professor Podemska-Mikluch is available on the CEE website.



*C.H.U.D.*, produced by Mr. Abrams

## LARRY ABRAMS, CONTINUED

Abrams.” [Laughs] So I went downstairs and picked up the phone: “This is Mr. Huxley from Value Line and we’d like to offer you a job. When can you come down here?” I said, “How about an hour from now?” [Laughs] They gave me a job as an analyst.

**Kaizen:** What did they have you do?

**Abrams:** I was an analyst trainee at the beginning. They would review your salary—I forget if it was every six months or every year. But in a three year period, they tripled my salary and I became an editor/analyst. Then I had an offer from a brokerage firm to be hired away from there.

I gave them my conditions and my conditions were that I have my own hours; I can work on whatever stocks I want; I don’t have to have any contact with your customers; I don’t need a contract either. All I’ll do is tell my conclusions and reasoning to your brokers, and they can reflect it back to your customers. And, of course, I also want my own office. They said, “Fine.” So I went with them. Oh, and they had to double my salary as well. I was about 24 at the time.

**Kaizen:** How did they hear about you? It sounds like you have a reputation already.

**Abrams:** Yes. What happened is that I had a few brokers that I was using on Wall Street, and they were familiar with how my picks were doing. I started off with \$4,000 in debt, no cash at all.

**Kaizen:** From college?

**Abrams:** Yes, from college. I was \$4,000 in debt in my first year and by the end of the year, I had \$1,200.

**Kaizen:** Of debt?

**Abrams:** No, plus \$1,200. At the end of the second year, I had \$12,000; at the end of the third year, \$50,000; and at the end of the fourth, \$150,000.

**Kaizen:** This is in your personal account?

**Abrams:** Right. Now, I was the only one who knew these figures, but my brokers could see what my stocks were doing because they saw my account and my bosses at Value Line got the idea as well.

**Kaizen:** What were you were looking for in the stocks you invested in?

**Abrams:** I went through over 1,000 stocks. I picked out the ones that had done particularly well over the last few years and I wrote down hypotheses as to what they might have in common. I also read lots of books about investment theory, and I combined my conclusions about what they had in common with my understanding of what determined value as opposed to price. What I was looking for: I would look for new ideas, new products, new innovations in old industries, and also financial variables, things

## “WHY KEEP SELLING MY TIME? I WANT MY TIME TO BE MINE.”

like sales growth, profit margins, return on equity, debt, debt relative to earnings, price/earnings ratios. I didn’t pay much attention—in fact I didn’t pay any attention to dividends.

**Kaizen:** How long was it before you decided to go out on your own as an investor?

**Abrams:** After a year at the brokerage firm, it was being acquired by a larger firm, and they asked me to go along with them. But by this time I had \$250,000, and I thought, “Why keep selling my time? I know how to do this now and I want my time to be mine. I want to read and I want to take a walk in the park when the mood strikes me. I want to study lots of subjects and listen to music. I’m only here once and that’s what I want to do.” So I told them thanks for the offer, but I’m not going to go along with you.

**Kaizen:** How did it feel being out there as an entrepreneurial investor using your own money?

**Abrams:** It was different from Value Line. At Value Line, your written conclusions had to be in line with Value Line’s proprietary rating sys-

tem, whether or not you agreed. Out on my own, I didn’t pay any attention to the rating system. The system is quite good, by the way. But I’m most comfortable with my own system, so I don’t pay attention to anybody else’s. As far as doing it on my own, investing my own money, I never had any trouble with that. When you’ve thought about it enough and you’ve tested your conclusions enough, both retroactively and proactively, and you know that it all works, there isn’t any trepidation about doing it.

I used to make an analogy to the oil business, which I went into at one point. When I went into the oil business, the ratio for wildcats was about 1:9. That meant that the wildcats were very risky—eight times out of nine you would lose every dollar. But on average, the one time you would hit, you’d make 30:1. So I thought, “This isn’t very complicated. I lose eight dollars on, say, the first eight, but on the ninth, I make \$30. I can do that math.”

I invested in a lot of wildcat wells because of the arithmetic that I just mentioned. So I always made that analogy to stocks; the numbers are different but the principle is the same. If you know your system works and you know that the odds are in your favor, even though you’ll have many times when you’ll have losses, you end up ahead. You have to end up ahead, provided you are accurately gauging the odds. And all kinds of extraneous things can mess up your calculations, such as wars and depressions. But it’s the best you can do, so I never saw investing my own money as a problem. I always saw it as an opportunity. And as fun.

**Kaizen:** When you went out on your own, were there particular fields you were investing in? Biotech? Entertainment? Manufacturing?

**Abrams:** Since risk and reward are highly correlated and I was shooting for big percentage gains because my starting capital was so low, I made very risky investments and monitored them closely. This is before biotech. Sometimes I looked for new products. Most often I would screen first for impressive trends in sales, earnings, profit margins, return on capital, and cheap to reasonable valuations. Anything that met my criteria was fine—and I invested all across the board.

**Kaizen:** What is the distinction between “angel investing” and “venture capital”?

**Abrams:** Angel investing is venture capital, but it’s done by non-professionals. The term “VC,” venture capitalist, is usually reserved for professional investors who run significant VC partnerships.

**Kaizen:** There’s no investment size issue?

**Abrams:** As a general rule, the professionals are going to invest a lot more money

because they have pools that they raised. But there is no limitation to what an angel can put up. Some of them, some very rich angels, put up quite a lot.

**Kaizen:** How would you describe yourself? As a venture capitalist or as an angel?

**Abrams:** I'm not a venture capitalist in the sense of having run a fund which has raised a lot of money from other people. But I do venture capital as an angel and as a limited partner of venture capital funds, often investing side-by-side with the venture capital funds in which I am a limited partner. I am also on the advisory board of one of them. As well, I still invest in the stock market.

**Kaizen:** How does the angel investing or venture capital process typically go? If I'm a person with an idea, how do I seek out an angel or VC so I can make my pitch?

**Abrams:** You can go to something like Kickstarter to start a company, but there you are just trying to raise money from the public in general. The various venture capital funds all have websites, of course. You can find the principals' contact information and you can call them up or email them. It's easy to email them a business plan; this is done all the time.

**Kaizen:** In your years doing VC, angel investing and so on, are you out prospecting for potential investments? Do you meet with people? Go to conferences? Or do people just send you stuff?

**Abrams:** I used to go to conferences and meet with people and read lots of business plans, but now I leave the bulk of that to the venture capitalists with whom I invest as a limited partner and sometimes side-by-side.

**Kaizen:** To focus on bio-tech, since that was a significant part of your career. When you went to conferences and met with people and read the business plans, what were you looking for? What would catch your interest?

**Abrams:** You look for new ways of doing old things, the formation of new industries, new ways of addressing diseases, and sometimes platform technologies, which can be applied to many different diseases. You'd also look at who's running a company—what his past record has been, what his education experience has been, his job experience, and try to get an impression of the person as well—because integrity is extremely important. This last is by far the most important. Without integrity, everything else is meaningless. Of course, this doesn't mean you won't make mistakes, because you inevitably will.

**Kaizen:** You didn't have a background in biotech, so how did you judge what's innova-

tive or promising? Did you self-educate in biological fields?

**Abrams:** Yes, I self-educated a lot. This did not bring my level of knowledge up to a Ph.D. in biology by any means, but it did educate me well beyond the average layman.

**Kaizen:** The third component you mentioned was the people running the show—their track record and their integrity. How do you make judgments about someone's integrity?

**Abrams:** Well, that's a very hard thing to do. It's very qualitative. I think everybody is familiar with meeting people and making judgments about them, but trying to put into words exactly how you judge someone, unless you have some record of their actions over a number of years, is something I really can't do. You just do the best you can.

**Kaizen:** The investments that don't go so well—are there common patterns or reasons? They were over-ambitious in the technology or had bad office politics or whatever?

**Abrams:** Certainly, there are almost always technological risks. However one of the biggest problems is a company running out of money and not being able to raise another round of funding when their original projections turned out to be over-optimistic. But you can't accurately quantify in advance which factors are going to lead to a wipeout in a particular investment because, obviously, if

---

**“WITHOUT INTEGRITY,  
EVERYTHING ELSE IS  
MEANINGLESS.”**

---

you could, you wouldn't invest in those. Then no companies that were going to fail would ever get funded. And, of course, that's not true.

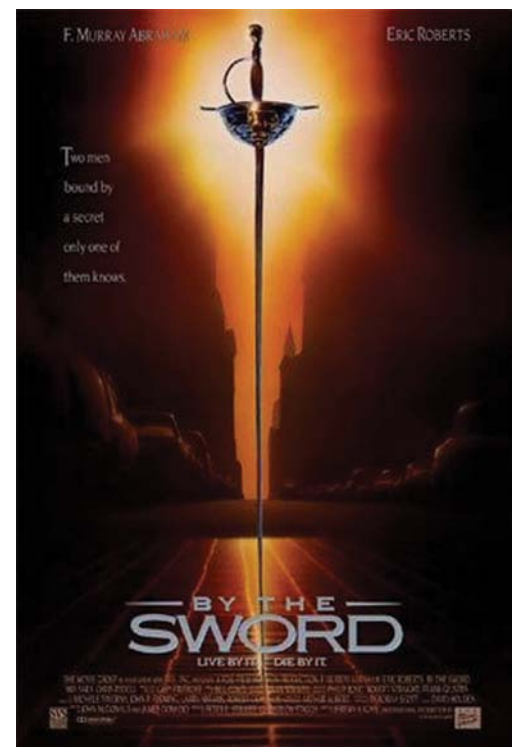
**Kaizen:** Are people dynamics another category? Some people just don't mesh well together?

**Abrams:** Yes, that certainly happens a lot. Unfortunately, you only find out about that later. [Laughs]

**Kaizen:** And then general economic conditions? Or downturns in various sectors?

**Abrams:** Yes, they will get in the way quite a lot; but you don't let that stop you. If you see a very good idea, you just factor-in the economic conditions as one of the risk factors and if the risk-reward ratio looks good, do it anyway.

**Kaizen:** Have you ever found it necessary to go in and take over an investment? Things are really dysfunctional, but it is still possible if investors take over the show with more experienced people?



*By the Sword*, co-produced by Mr. Abrams

**Abrams:** Yes. That's done very often by venture capitalists. I don't do it because I don't want to spend the time doing it. I would rather let the investment go and take the loss. That's one of the reasons why it is advantageous for me to go in with venture capitalists, because that is part of what they do.

**Kaizen:** You've also invested in movies.

**Abrams:** Yes.

**Kaizen:** What was your first movie?

**Abrams:** It was called *C.H.U.D.*, and apparently it has some sort of cult following. I was told that it has fifty websites devoted to it. That was several years ago. I never checked it out, but I'm assuming it's true.

**Kaizen:** Aside from the funding, what was your role for this film?

**Abrams:** I had input into the script. I made various suggestions. A producer can generally define his own functions—whatever degree of hands-on he's comfortable with. An executive producer is primarily about raising the money.

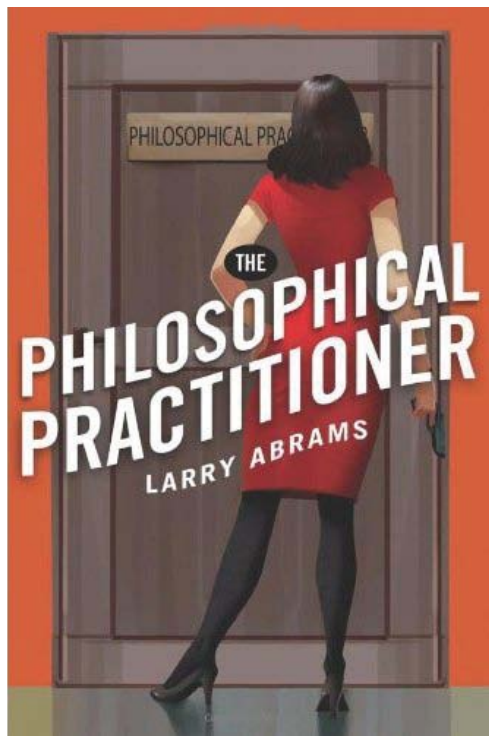
**Kaizen:** And the financial projections that you would likely lose your money? Did they come to pass or did you do all right?

**Abrams:** On *C.H.U.D.*, I think we came very close to breaking even.

**Kaizen:** You later produced *By the Sword*. What went into that one?

**Abrams:** There are two movies with the title *By the Sword*. The one that I was co-producer on stars F. Murray Abraham and Eric Roberts.

**CONTINUED ON PAGE 6**



Mr. Abrams's first novel

## LARRY ABRAMS, CONTINUED

**Kaizen:** Was that one profitable financially?

**Abrams:** We got financing from Sony Television. I put up a small amount of money, and that money was not returned.

**Kaizen:** It sounds like you're doing the movies primarily for fun?

**Abrams:** That's correct. Obviously, I had hoped that each film would make money because that way we could recycle the money and make more films. But it was primarily for fun.

**Kaizen:** Philosophy has also been an interest for you?

**Abrams:** Philosophy is a lifelong interest. What could be more important than knowing how to live? What to do with your life? It is truly the architectonic science.

**Kaizen:** Your early ambition to be a writer and your interest in philosophy came together, and you've written a novel with the word "philosophical" in the title. What's the theme of the novel?

**Abrams:** The book is *The Philosophical Practitioner*. It's a love story, a mystery, and an exploration of what life is all about.

**Kaizen:** I read it last year. Very well done. Very engaging.

**Abrams:** Thank you.

**Kaizen:** Many people have ambitions to write, but they don't necessarily act on it. What motivated you to actually sit down and do it?

**Abrams:** I've been reminded often of Rabbi Hillel's dictum: If not now, when? Since this is

something I wanted to do and time was passing, I figured, I can't just keep thinking about it, I've got to do it. There's always some reason to postpone what you want to do, and the ultimate consequence of that is that you become Scarlett O'Hara.

**Kaizen:** To go back to investing and biotech in particular: one sees statistics about the high rate of failure of start-ups, like three out of four start-ups fail. Has that failure rate been true to your experience?

**Abrams:** That depends on how you define failure. If you define failure as going bankrupt, then that figure is too high. If you define it as not getting all of your money back, then yes, that's about right.

**Kaizen:** You have spent a lot of time in biotech. Is it fair to say that you've gotten out of biotech investment largely because of an increasingly difficult regulatory environment for biotech?

**Abrams:** Yes. The FDA. Their byzantine approval process requires companies to invest huge amounts of money, really huge. I mean, \$1 billion, sometimes much more, to get a drug through the whole process, from discovery through FDA approval, is not unusual. It can take ten years or more. And at the end of spending huge amounts, there is no guarantee that you are going to get a product to pass the FDA. As a consequence of their very convoluted process for approval, people die who might have

---

**"THE MOST IMPORTANT THING IS THE ABILITY TO CONTROL YOUR EMOTIONS."**

---

lived if they'd had access to a particular drug. Sometimes someone with a terminal disease can get "compassionate use" from the FDA, and they can get a drug that is still unapproved, but mainly that is not the case.

There is a company I know of now, which I'm an investor in, that has a treatment for glioblastoma, which is brain cancer. It's had wonderful results in phase I trials so far, but it's been a small number of trials. You have to go through phase II and phase III. But right now there are people dying from brain cancer who can't use it even though it has been very successful and there aren't any better therapies. At least not that I know of.

**Kaizen:** The drug lag problem, as it is called.

**Abrams:** Yes. If you want to have an FDA at all, then my solution is to have it as an advisory body. Have a label on your drug that says, "This drug has not been approved by the FDA.

It could be dangerous to your health." Then, people who are terminal cases can either take it as their only chance or, if they want, they can wait for the FDA's approval.

**Kaizen:** Of your current investments, are there some that you are particularly excited about that you can talk about?

**Abrams:** There's the glioblastoma that I just mentioned. There is also a company doing coal gasification, which has raised \$1.2 billion for a coal gasification plant or series of plants. Lots of others.

**Kaizen:** This is extracting the gases from coal?

**Abrams:** Yes. There's also a company that has a unique way of identifying fingerprints, which is not deflected by wetness or grime or anything else that has been tested so far. It could have very broad applications. It could be used, for example, to ensure that only you can fire your gun, or only you can open your computer.

**Kaizen:** Or start your car?

**Abrams:** Yes. Car companies are interested. There's another company that is working on software to better identify potential underground oil and gas formations.

**Kaizen:** This all sounds exciting and cutting edge.

**Abrams:** It's always exciting.

**Kaizen:** Closing questions here. In the investment field, how important is intelligence relative to other traits? Lots of smart people fail as investors. So how important are other traits like objectivity, putting your time in, or being able to bounce back from failure, and so on?

**Abrams:** All those are important. Perseverance is particularly important. As Churchill said: "Never, never, never give in!" Well, I don't know about never. Very rarely will do.

Interestingly enough, I don't think intelligence is particularly important. This is not rocket science and the principles behind successful investing are not difficult to find or understand. There are many people who know them, but there are not many people who are able to practice them because the most important thing, in my opinion from my experience, is the ability to control your emotions.

About your intelligence comment, everyone is good at some things and not at others. I want to tell you how I came to take the test at the University of Chicago. The reason I left high school early to go to Chicago is that although I'd done quite well at math, my next required math course was solid geometry. I didn't know exactly what that was, but it sounded like I had to visualize possibly complex, two-dimensional objects in three dimensions. Now that seems to be easy for most people, but I knew myself well enough to know I was very bad at it. Terribly bad. So I didn't know if I was going to be able to pass fourth-year mathematics. I figured, why

don't I sort of slip out of high school and go to college? So I took the University of Chicago entrance exam. I took it because I knew my disabilities in being able to imagine even mildly complex three-dimensional objects. And as it turned out, the University of Chicago entrance exam had three parts: math, English, and spatial relations.

Now get this picture: the 16-year old Larry, insecure and in a strange new city, goes for his opening meeting with his Chicago advisor. He sits down. The advisor opens the Larry Abrams file and says, reassuringly, "Oh, this is very interesting. You almost didn't get into this school. On the spatial relations test, there are only four choices. By random chance, you'd get one out of four right. You got one out of five." So it really all depends on how you define intelligence. I was good at math and English, but in a hunter-gatherer society, I'd probably be considered an idiot.

**Kaizen:** So the important thing is knowing where your strengths are, playing to those, and avoiding the weaknesses.

**Abrams:** Yes. And it's also more fun to go with your strengths; you enjoy it.

**Kaizen:** Fair enough. So you would say, then, that it isn't intelligence per se, but perhaps objectivity? Or the way you put it was "controlling your emotions."

**Abrams:** That's right. Your emotions will often be at odds with your thinking. For example, if you're in the stock market and the stock market has been going down every day for several days. Each of those days, let's say starting with day five, it was very cheap, but you didn't go in because it was down and you were afraid to go in. Now it's down seven days, eight days, nine days, and you know that each time if you had thought that it was cheap and had gone in, you would have lost money. So your judgment is telling you to invest, but your emotions are telling you that you are just going to lose money, so don't do it.

Now, if you are a fully integrated person, your emotions and your judgment would always be in concert with one another. I don't know of anybody like that. Some are better than others at being able to go by reasoning rather than emotions. It's a bell curve. Those who are able to do it best are the most successful investors.

**Kaizen:** As an investor, have you found that there are particular emotions that you would struggle with? Suppose you made an investment and it went bad and you feel depressed about that. Would you just not invest for a little while to recover?

**Abrams:** Let me stop you there, because that doesn't happen. I don't get depressed if I lose money.



Mr. Abrams at his home in Houston

**Kaizen:** Merely sad?

**Abrams:** What happens is I think, "Well, that's too bad. The odds were in my favor and it went the other way. That's going to happen." Then I just go on to the next thing. I'm not even sure that I'm sad.

**Kaizen:** How about on the upside? The market is going up, people are getting excited, and you're getting excited. The urge to jump in prematurely?

---

**"GIVE YOURSELF THE OPPORTUNITY TO FALL IN LOVE WITH LIFE—IT'S SO VERY SHORT."**

---

**Abrams:** That happens all the time. If the market is going up all the time, you think, "Wow! If I had gone in yesterday, I would have made X. Well, I'm not going to wait anymore; I'm going to jump in." Everybody has those emotions. But again, the most successful people are the ones who can say: "Hold it. Is the market cheap or not cheap? Am I getting good value or am I not getting good value? If I'm not getting good value and the market is going up—good luck to all of those people who are investing. I won't do it."

**Kaizen:** If you look back on your career so far, what have you enjoyed the most about being an investor?

**Abrams:** The thing I enjoy most is being able to buy my time back from the open market so I'm able to spend the time of my life exactly as I want to. But it's also fun be-

ing on the cutting edge of things and being proven right.

**Kaizen:** On the flip side of that question, have you found in your career as an investor that there is something that you consistently struggle with?

**Abrams:** Not really. The big problem, as I said before, more generally, is being able to control your emotions, and I never had much of a problem with that. What would be hard for me would be to not be in control of my life.

**Kaizen:** One final thought. Since our primary audience is younger people who are just starting out, is there a piece of advice you would give to young people, particularly when they are transitioning from college to the rest of their lives to help send them on their way?

**Abrams:** Think about your goals. Make them real to yourself. Read enough in your field to give yourself confidence that you're not going in blind. Then dive in. And—this is not unique to me—but I would say to do what you love, and never mind the money, except as the means to a clearly defined end. Never mind prestige; never mind fame; never mind other people's opinions. Never mind anything except giving yourself the opportunity to fall in love with life—it's so very short.

*This interview was conducted for Kaizen by Stephen Hicks. For more information about Larry Abrams and please visit his author's page at Amazon: <http://www.amazon.com/Larry-Abrams/e/B004OZGKUQ/>. Our full interview with Larry Abrams will be posted at [www.ethicsandentrepreneurship.org](http://www.ethicsandentrepreneurship.org).*

改善



## IN THE NEXT KAIZEN

FEATURE

### Enrique Duhau on Entrepreneurial Agriculture

## ALSO:

Guest Speaker Terry Noel

High School Entrepreneur Day

Stephen Hicks in Stockholm,  
Panama, and Buenos Aires



## MORE INFORMATION ABOUT CEE AND ROCKFORD UNIVERSITY



*Kaizen* is published by the Center for Ethics and Entrepreneurship at Rockford University. Founded in 1847, Rockford University is a four-year, independent, coeducational institution offering undergraduate and graduate degrees in traditional liberal arts and professional fields. The University offers over 80 majors, minors and programs, a return-to-college program in management studies, and masters programs in business and education. For more information, please visit us at [www.Rockford.edu](http://www.Rockford.edu).