

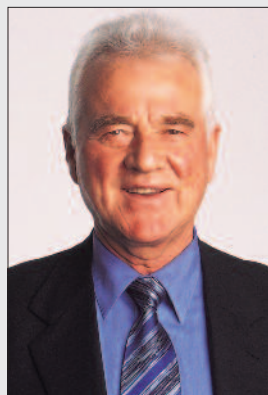
THE GOLDEN RULE

Frank Stronach, founder of the \$30 billion in sales Magna International, discusses living under the boot of two of the most brutal regimes, true hunger, and the hardship of discrimination.

By Mark Pazdur, Publisher

OCALA, FLORIDA: The sound of gunfire is still fresh in Frank Stronach's memory more than a half century later.

"As a young child, I was exposed to the atrocities of Hitler and the Nazi regime," emotionally recalled Stronach. "My home country of Austria was devastated by the war. The front lines of battle made it as close as three miles to the outskirts of our small town at the foot of the Alps before the allies prevailed."



Frank Stronach

Frank admits he grew up quickly. "My dad was drafted, and our country was occupied by Russia," said Stronach. "My mom, sister, and I had to tend to our small garden to bring in a couple of extra dollars. There wasn't enough of *anything*."

"War brings out the worst of humanity. When will we learn? We are all human beings with the same fears and ambitions."

Post WWII, life did not improve immediately. "The fighting had stopped, but the destruction was everywhere. As a working class family, cornmeal was our staple food," explained Stronach.

THE PLANTING OF A SEED

With the Austrian economy in shambles and reconstruction in full swing, Frank's mother took him to a local factory.

"We walked hand-in-hand together," reminisced Stronach. "She asked the owner, 'Can you please teach my boy a trade?' At 14 years old, I was so short that I needed a stool to stand on to reach the equipment!"

With opportunities limited in his small Austrian hometown, Frank set out on his own for a seven-hour train ride to Switzerland. "Switzerland wasn't bombed during the war," said Stronach. "I couldn't believe my eyes how beautiful everything was. I quickly found a job and rented a small, unassuming room. ➤

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The Publisher's Page



Frank with his horse, Ghostzapper, in 2004 after winning the Breeders' Cup Classic at Lone Star Park in Texas.

"OUR TOWN WAS OCCUPIED BY THE RUSSIANS. I was standing by a broken-down army truck that had been abandoned when, suddenly, a Russian soldier rode up on horseback. He went to work on the truck and surprisingly got the engine started. Before taking off, he handed me the reins of his horse.

"There I was, a barefoot schoolboy, the proud owner of my own horse. I was ecstatic.

"The next day, I arrived at our shed to find the stall empty. My heart sank. I wanted to believe she had run away. But as the war dragged on, food was becoming scarcer, and my horse had probably been taken away in the middle of the night and butchered.

"I'm a great believer that experiences in life help shape our character and our destiny. They are all ingredients that make us who we are. That brief experience with the horse ignited in me a passion that remains to this day.

"I bought my first horse in 1961 and got involved in horse racing when the farmer, who sold me the horse, asked me to join him for an afternoon at the racetrack. Ever since then I have been hooked on the 'sport of kings.'

"Our family stable, Adena Springs, has had the good fortune to become one of the world's top thoroughbred horse breeders and I have purchased several racetracks, including Santa Anita near Los Angeles, California, and Gulfstream Park in Florida."

— FRANK STRONACH

“GOVERNMENT INCENTIVES encourage outsourcing manufacturing. Domestic factories, that once employed thousands, are becoming warehouses employing dozens. I am not a radical hardliner, but it is time to chart a different course. If our economy doesn't function, our country will not function. America is the last country where free enterprise *might* survive, if changes in governmental policies are righted.” – FRANK STRONACH

FOR A SPECIES TO SURVIVE, it must reproduce. Similarly, for capitalism to survive, we must create incentives for future entrepreneurs to manufacture domestically. Something must change. I know both Hillary and Donald. Ask yourself who is more likely to mesh their social charter with a business charter? Donald rattles the cage in the heat of battle, but I give him credit for taking a stance for change.” – FRANK STRONACH



(Above left) Elfriede and Frank Stronach accept the Queen's Plate from Queen Elizabeth II after their horse, Awesome Again, rode to victory in 1997. (Above right) Frank, age 8, in Weiz, Austria.

(Above left) A talented athlete, Frank played semi-pro soccer in Switzerland before immigrating to Canada. (Above right) Former President George H. W. Bush together with Frank and former Florida Governor Jeb Bush.

“When I received my first paycheck, I decided to treat myself to a steak dinner in an expensive restaurant. Not knowing fine dining, the waitress had to correct me on how to properly cut a steak. Certain events in life are milestones. That experience is one of mine.”

The time in Switzerland opened Frank's eyes to the “big world out there” causing him to apply for work visas in the United States, Canada, Australia, and South Africa.

THE INDEPENDENCE OF YOUTH

The Canadian visa cleared first. “The advice my parents gave me before embarking to North America was listen to others and be a good person,” said Stronach. “These two pearls of wisdom have served me well in life.”

Seeking the least expensive way to travel across the Atlantic, Frank boarded an old Dutch freighter named *Groote Beer* in Rotterdam, Netherlands, for the arduous trip across the ocean. “I was so anxious, I thought of diving off the deck and swimming back to shore. I got so seasick,” said Stronach with still the bad taste in his mouth. “It was scary and I was lonely.”

Upon arriving in Canada, the customs officer quizzed Frank on his intentions and connection to the country.

“I didn't know anyone,” said Stronach. “I wanted to go to Toronto and the office advised me to settle in Montreal.”

Arriving hungry, haggard, and broke in Montreal, he set out to find a small apartment to rent. “I saw a sign ‘room to let,’ so I knocked on the door. I looked rough and I'm sure my Austrian accent didn't help. The owner quickly brushed me off and said ‘not available,’” remembered Stronach. “The local unemployment office lined up a job for me at a country club, but the bus route didn't pass by the club because it was located in the suburbs. It was a tough time in a very tough economy.”

Down on his luck, Frank bought a Greyhound bus ticket and traveled to Kitchener (between Detroit and Toronto) in the hopes of meeting up with Max, a former employee who worked at the factory where he had apprenticed in Austria.

“I knocked on Max's door praying he was there,” said Stronach in a cracked voice. “When I saw his face and he recognized me, I broke down. If you have ever been truly hungry, with no money to buy food, it's an emotion that never leaves you.”

With Max's assistance, Frank had a roof over his head and landed a job in the local hospital's kitchen peeling potatoes. “I was making a decent salary of \$120 a month, but I didn't consider it a manly profession,” continued Stronach. “My hands were buttery smooth, not from being a successful surgeon in the operation room, but

from the suds of dishwashing. When I would go to Club Berlin on weekends, none of the girls would dance with me. I felt sorry for myself and kept saying, ‘Who would want to date a dishwasher?’ So, I started saving money and keeping my eye out for another job.”

Seeking greener pastures, Frank hitchhiked to the new Ford Motor assembly plant that was hiring. “There was a long line of applicants, but I thought my skills gleaned in Austria would give me the upper hand,” believed Stronach. “The manager took one look and me, asked my age, and in a short voice said, ‘next.’”

ANOTHER SUCCESS STORY STARTED IN A GARAGE

After several years of hard work in various tool and die factories, Frank took the bold move, rented a small garage, and purchased old tool and die equipment—not unlike how the computer company Hewlett Packard was founded. He worked 16-hour days, seven days per week, sleeping at night on a fold-up cot next to a lathe.

“My big break was an order from the plumbing company American Standard,” said Stronach. “The purchase manager stuck his neck out for me. The feeling of sending out my first invoice was indescribable, but I must admit, I had the trepidation of whether I would be paid.”

Closing the books in 1957, his first year in business,

Frank's company had \$150,000 in sales.

“Our order book for automotive parts grew rapidly and soon I had 12 employees,” fondly stated Stronach.

“In year two, I was hit with a dilemma. My trusted foreman, Herman Koob, wanted to start his own business. I sympathized with his ambition and rationalized how I could keep him. I could offer to double his salary, but I knew that would be a temporary fix. The solution was novel. I proposed we open an additional factory that he would run and we would be equity partners. The business plan worked and, within a couple of years, I copied the formula with other foreman and now co-owned 10 factories. The partnership arrangement became the blueprint for the company's decentralized operating structure—a model Harvard Business School would years later describe as a success formula.”

Under the name Magna Electronics with 2,000 employees, Frank took the company public in 1969.

“I retained 30 percent of the stock and earned \$1 million in cash from the transaction,” reported Stronach.

The company grew to more than 130,000 employees with manufacturing plants in dozens of countries and \$30 billion in annual sales.

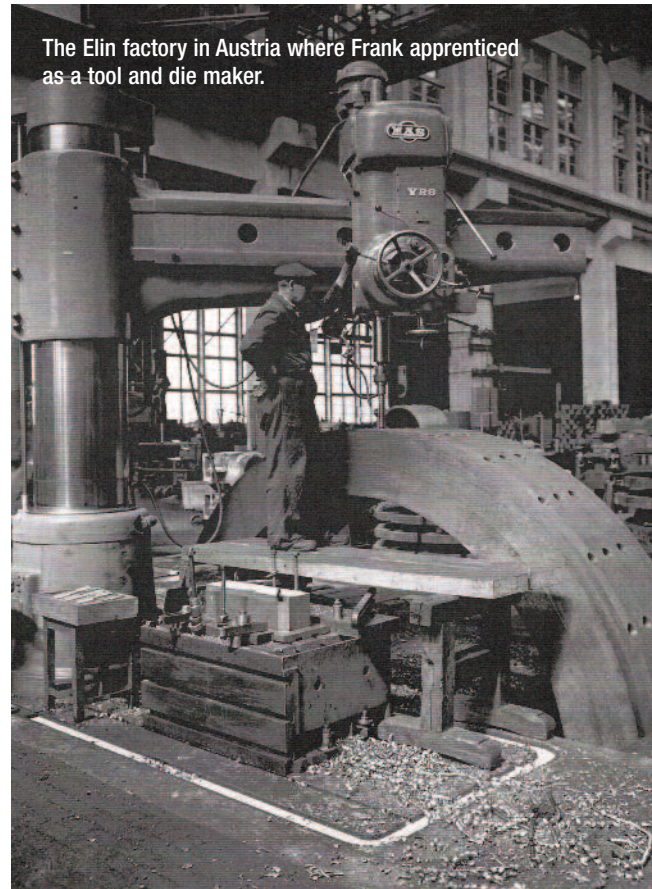
“Our business was divided into two main categories, defense and automotive. Our automotive operations were

“WALL STREET makes a greater profit than all U.S. farmers combined. Cheap debt is the only reason our economy shows growth. I experienced firsthand how destructive debt can be. It's a creeping sickness that is painless and virtually invisible at first. By the time its cancerous effects are fully felt, it's often too late to recover.”

— FRANK STRONACH



Frank kept a desk and drafting board in the corner of the garage.



The Elin factory in Austria where Frank apprenticed as a tool and die maker.

highly profitable and our defense contracts were break-even at best,” explained Stronach. “As a publicly traded company with vast operations, complexity increased. I must have had 20 lawyers in offices next to mine. The unions had a different agenda and friction increased.”

After financial maneuvering that allowed greater control of the Board and jettisoning the defense business, Frank grew Magna's revenue 40 percent to 50 percent per year. “I instituted a corporate constitution, called Fair Enterprise, that mandated profits are allocated in the following manner: 55 percent to taxes and reinvestment, 20 percent to dividends, 10 percent to employees [both cash and equity], 7 percent to research and development, 6 percent to management, and 2 percent to social causes,” detailed Stronach. “My lawyers were livid that I would limit management's take to 6 percent. I explained I didn't want to raid the till and that I firmly believed if employees are part owners, the company would succeed. Our operations had grown so vast that it was impossible for me to interact with all employees. My corporate constitution provided the framework that is stronger than any one individual.”

A GREAT RESPONSIBILITY

Challenges increased at the turn of the century. “Magna was expanding rapidly and I was growing frustrated with

the bureaucratic delays in our home market of Canada,” said Stronach. “I remember telling a reporter that when I open a new manufacturing plant in America, they roll out the red carpet; in Canada, they roll out the red tape.

“I butted heads with the unions,” sternly explained Stronach. “Business must succeed for employees to succeed. Fairness must be based on social economic justice for all parties. Government incentives encourage outsourcing manufacturing. Domestic factories that once employed thousands are becoming warehouses employing dozens. I am not a radical hardliner, but it is time to chart a different course. If our economy doesn't function, our country will not function. America is the last country where free enterprise *might* survive if changes in governmental policies are righted.

“I'VE LIVED UNDER THE BOOT of two of the most brutal regimes the world has ever seen—all within a span of just a few years. I've known hunger and hardship. I've been fired and laid off and discriminated against.

All of those experiences have left deep impressions.” — FRANK STRONACH

FLORIDA'S NEWEST PRIVATE GOLF CLUB

ADENA GOLF AND COUNTRY CLUB is named after arrowheads from the Adena Indian tribe discovered on Frank's horse farm in Kentucky. “At many of our Magna Electronic headquarters, I built golf courses as an incentive to attract quality employees and retain top staff,” explained Stronach. “I am not a golfer, and take a different perspective on the private club environment. I look at the overall aesthetics, not just the golf course. My management philosophy at Adena Golf and Country Club is



identical to that at Magna. The right location and right people ensure success.”

Adena's golf course has two notable tributes. Ten of the 18 holes play over, around, and through four limestone quarries and the unusually hilly terrain (for Florida standards) creates many different looks. You face a bit of everything from short, tight holes lined with a canopy of trees to one of the longest par-5s in the state. It is a course of many different looks.

For more information, visit their website, DiscoverAdena.com.

“Three things—access to capital, smart management, and dedicated employees—drive the economy. Wall Street and their quest for ever stronger profits has a dark side to the economy. Remember, we must *create* wealth before you can *distribute* it.”

THE NEXT CHAPTER

“When I look back and analyze my life, I see clearly that my early experiences growing up in Austria during the Depression and World War II contributed greatly to my success later in life,” recalled Stronach. “These experiences gave me the ability to recognize and seize opportunities.”

Three years ago, Frank divested all equity in Magna and left the company with zero debt and 380 factories and R&D centers in 26 countries on five continents.

His new endeavor is creating responsibly sourced, domestically produced food. “I did a lot of soul-searching before starting in a new direction. It was not a rash decision,” explained Stronach. “I have always had a garden or lived on

a farm and I am a proponent of ‘you are what you eat.’

“I do not want to preach whether it is right to eat meat. We are born as hunters after all. It is in our genes. So, I set out to be the role model of responsibly sourced food. My 90,000-acre ranch in Central Florida [a footprint larger than Disney World] will allow cattle to live a stress-free life on grassy, open plains and produce hormone and antibiotic free meat.

“Our food source should be considered a part of our national security. Food imports, in large quantities, threaten our independence. The perceived value of farmers is not proportional to their importance,” said Stronach.

“America is a great country made up of hard-working individuals. Policy and tax changes encouraging domestic production, whether it be consumer goods or staples. The great wealth transfer from our country to China continues unabated.

“Remind yourself of the golden rule. Those that have the gold, make the rules,” said Stronach. ■