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At BACHRACH we build products with the look and quality to provide enduring enjoyment. Something from Bachrach is always a man's favorite. All products are made to our exacting specifications and quality standards.

Our merchants work hard to add that little something extra to create an element of distinction. The result is a closet full of clothes that look great, wear well and are an endless source of compliments.

Like our stores the catalog and website are also designed to accommodate a great shopping experience - simple and straightforward. We are committed to exceeding our customer's expectations in every way.



▶ **Businessman is key to any society's prosperity**

An exclusive interview with Ed Bachrach, the successful American entrepreneur and the founder of "Build Cambodia" Foundation

Conducted by Bardia Garshasbi in London and Chicago

Ed Bachrach is the retired Chairman and CEO of Bachrach Clothing, Inc., a nationwide retailer of men's fashions through stores, catalogues, and the Internet. He received a Bachelor of Science in Business Administration from Northwestern University in 1970 and was licensed as a Certified Public Accountant in 1971. He received his Master's in Public Administration from Harvard's Kennedy School of Government in 2007. In 2005, Mr. Bachrach sold his business. Since then he has helped Cambodians through his foundation, Build Cambodia (www.buildcambodia.org). He is developing a feature film based upon a screenplay he wrote about the famous American architect Frank Lloyd Wright. Mr. Bachrach also operates a sheep farm and resides in Chicago, Illinois.

Bardia: First I would like to thank you for accepting my offer to have an exclusive interview with "Excellent Organization" magazine and share with us some of your views and experiences. But before I ask any question I would appreciate it if you introduce yourself and give our readers a short history of your business life.

Ed: My name is Ed Bachrach and I am 63 years old. In 2005, I sold the business that four generations of my family operated for 128 years.

Our business was the sale of men's clothing at the retail level. For most of those years, we operated a single store in a small town in the agricultural center of the United States.

In 1968, we started opening stores in other cities, always seeking a larger population base. In the next 25 years, we

expanded to 82 stores in locations all across the US. All of our stores were in covered malls and shopping centers that are modeled on the bazaars in Iran and Turkey. So you could say that we were bazaari. We also operated a direct mail catalog business that accounted for about 20% of our business and in the years before the sale of the business, our Internet sales division was growing rapidly.

The business had a turnover of more than \$130 million and over 800 employees. By the time we sold it, the organization had become quite complex in terms of structure and function. However, over the 128 years in business there was one simple constant: "change". We went from selling primarily work clothing for farmers to selling sophisticated fashion forward apparel that was sourced all over the world. The critical factor in survival and profitability was to keep up with the times and find a way to differentiate yourself in a keenly competitive environment. We did this with our evolving sense of fashion.

By 2005, the business was doing well but, as the sole family leader, I wanted to do other things in my life and couldn't do so with the time I was devoting to the business. The business has changed hands a couple of times since the sale but is still operating throughout the US.



Bardia: What are your views about “management” in business and to what extent you think a sole manager’s ideas and visions to run a business can secure the success of the company in this dynamic world of business today?

Ed: There are at least four “ships” that carry the cargo of business: leadership, entrepreneurship, proprietorship, and management. (oops that is not a ‘ship’!)

Management is the orchestration of resources and people to accomplish a task or mission. Any successful person, whether in business or other fields, must be a satisfactory manager. Good companies need capable managers at all levels.

Leadership combines both pathfinding and management. In order to lead an organization the leader has to find out where it should go and how to get there. Then he must use good management to get the organization to go down the path successfully.

Entrepreneurship is an overused and widely misunderstood term. Some think it describes a visionary pathfinder who generates innovation. Often it is any damned fool who takes a risk, whether he wins or loses. For others, it is a catchall for management, leadership, and success. And for some, it is a quick buck artist who comes up with an idea, gets some backers, and tries to flip the investment before the company fails. As you can see, I don’t like to use this term.

Proprietorship is a condition where the leader of the organization treats it like he owns it. This is a very personal and enduring relationship. It can happen outside of business and people in the middle of an organization can develop this feeling towards their area of responsibility.

Those who are considered the great entrepreneurs, Rockefeller, Henry Ford, Sam Walton, Steve Jobs, were great leaders, managers, and proprietors.

Bardia: Your interesting answer triggers a trail of questions in my mind, particularly about entrepreneurship and proprietorship. Don’t you think that regardless of all the different qualities, practices and persons generally referred to as entrepreneurial and entrepreneurs, what we really mean by this term is this element of “novelty”, this visionary capability of sensing what is completely missing or recognizing how existing potentials can be developed into a never-seen-before actuality, and then coming up with a simple but ingenious idea or plan to bring it into existence? I mean, isn’t it possible (at least in theory) that we come across good leaders, managers and proprietors who may lack this entrepreneurial quality?



Ed: I think that every undertaking takes all kinds of people. There are some leaders and some who only wish to follow. Some are creative and imaginative and some are just steady workers who plug away relentlessly. I like to glorify the calling of business for all of these people. If we

limit the term entrepreneur to just those who are imaginative and their function as creating is novelty, then we raise the bar so high that we exclude 99% of those who want to be in business. And all great businesses are led by a team of people with different talents such as Steve Jobs and Tim Cook or Alfred Sloan and Charles Kettering.

***Bardia:** Very well. What about proprietorship? Am I correct to conclude that you consider the sense of ownership as the determining basis that gives meaning to our endeavors in business (and life) and becomes the engine of success?*

Ed: Yes, I think the idea of proprietorship is so often overlooked when people talk about entrepreneurship and management. It needs to be glorified more and I think it is vital for any organization. When the leader has an attitude that he owns responsibility for the business forever, it is a much deeper level of commitment that the employees love. I found this with my business. It is the secret ingredient to attracting and keeping the best people.

***Bardia:** Now that we are talking about proprietorship, how much do you think business models such as John Lewis in the UK or Whole Foods Market in the US— whose employees are the actual shareholders of the company are different from, or may function differently from, all the other companies in which, it appears, the employees and middle managers are motivated merely by their paycheck or by the prospect of a future promotion and not by that concrete sense of ownership?*

Ed: I think that the idea of employee-owned businesses is overrated. There is the joke “the only thing worse than a small minority interest in a business is a large minority interest.” Most employees have the equivalent of a small minority interest in the business and it doesn't mean that much. More important is the quality of management and

leadership from above. If given a choice, people would forgo ownership to work for a great boss and all the ownership in the world won't help if their boss is a jerk. I have found that what's important for employees in order is: 1) the kind of work they are capable of and can do well, 2) the job requirements do not conflict with what they need in their life, 3) the leadership of their boss, and 4) money. Money is always fourth.



Bardia: This is interesting. I always thought money should perhaps be people's first priority.

Ed: No. believe me, it always comes fourth!

Bardia: How could the enterprises carried out by businessmen or entrepreneurs affect the economy and society as a whole?

Ed: Every society and economy requires that goods be produced, distributed, and consumed. These functions of industry and commerce exist everywhere— even in the most totalitarian and anarchic systems. When the orientation of industry and commerce is directed towards the consumer and the economy is free for all to participate then it is considered a market economy. I am not alone in concluding that when labor, capital, and know how are combined in as free a market system as possible then the wellbeing of the people is most efficiently and effectively served. The essential element of this system is what I call the businessman (or “kaaseb” as you say in Farsi) and some call the entrepreneur. In any dynamic economy, the businessman must constantly keep up with change. This doesn't mean, though, that all successful businessmen must deal in the latest high-tech wizardry. A man could do a great service to society by merely being the best vendor of pistachios in the bazaar.

Bardia: Do countries like Iran which are abundantly rich in natural resources really need businessmen and entrepreneurs to create any further wealth? And why?



Ed: Well, I think every country, no matter how crude and backward, is involved in industry and commerce. A country like Iran, even though it is resource rich, still needs to produce or trade for goods and distribute them to the people. The businessman who does this is essential to society. Long ago economists established that the wealth of a society is not based upon its land or hoard of gold but on the level of economic activity. The Gross National Product is the sum total of goods and services produced and consumed in a given time period. All of these goods and services and their value passes through the hands of the businessman. He is essential to wealth and wellbeing.

Bardia: *Now that you are putting this much emphasis on businessman, let me ask a question concerning the support for this essential element in special circumstances. Do you think in a country like Iran (whose GDP and GNP are lower than some of the more industrialized countries) it is necessary for the government to support domestic industries, agriculture and businesses so that they can find a firm foothold and gradually thrive in this big, highly advanced global market?*

Ed: Where countries trade with others there are some products they can produce more efficiently than their partners and some that their partners can produce more efficiently than they can. This dynamic is called comparative advantage. This comparative advantage can also exist within a country by region or industry or groups of people. What makes it possible for this system to work is that the value of the product is determined by market supply and demand. When government steps in to commerce, they think they are doing so because the market has failed. This is often not the case, and more often than not, the government will fail at its efforts. Let me give you an example. When I was a teenager, I worked in our store. At that time, we purchased all of our clothing from manufacturers in the US. Years later, the US put up trade barriers in the form of quotas and duties to limit the import of clothing from abroad. Since foreign labor was less expensive, the foreign manufacturers began

making higher quality goods than we could buy in the US. With the profits they made on these goods, they invested in equipment and infrastructure to be more efficient. US manufacturers, on the other hand, stopped investing in equipment. After fifteen years of this, the domestic manufacturers became uncompetitive and went out of business and, by the time I sold my business, I could think of only one item that we were purchasing from a US manufacturer.

Bardia: In your example there is a sentence which sounds a little confusing to me: "Since foreign labor was less expensive, the foreign manufacturers began making higher quality goods than we could buy in the US". My understanding is that when trade barriers for certain foreign goods go up, the price of those goods are usually "lower" than their equivalents produced at home—i.e. foreign manufacturers using less expensive labor make goods that would be "cheaper" for us to buy, but we cannot buy them because of the barriers and not because we cannot "afford" them. I mean these foreign, quality goods are not "more expensive" per se. So consumers at home will suffer and producers at home will become less competitive because foreign competitors produce the same goods "cheaper" than them. On the other hand, consumers abroad will be better off than those at home, and producers abroad, who will be in a more competitive situation, will continue to evolve and be more profitable. Don't you think so?



Ed: I should have said, "There is more profit in a premium product than cheap mass produced items. If the foreign manufacturer has much lower labor costs and is able to produce the premium good, he will do so and reap a larger profit. With the profit he can— and usually does— invest in the resources to make even better quality goods." The point is that trade protection is not only paradoxical but counterproductive. It creates the economic condition where the protecting country gives the foreign producer the means to outcompete the domestic protected producer. Does this help?

Bardia: Well, it seems to me that your focus is on the “outperforming” disadvantage that protectionism brings for local producers. I fully understand your point here and do completely agree with it. But in the argument I mentioned above, I seem to be more concerned about the “consumer” and the fact that protectionism leaves the local consumer poorer.

Ed: Your argument is correct. I was focusing my replies on the impact on me as a businessman rather than the impact on the consumer. Here I would like to make two further clarifications.

First, during the 30 years that I ran the business, the low cost products like Levi’s jeans and Dockers, continued to be made in the US while the premium goods came from abroad. So the poor man did not go naked, but you could tell he was poor.

Second, that 30-year period saw significant technological innovations in the manufacturing and design of apparel. Those makers from abroad plowed their new profits into new technology and equipment. The US makers who were protected, instead coasted when it came to capital expenditures, milking the cash flow from their operations. Year by year they became uncompetitive because they hadn’t kept up. It is the willingness to reinvest profits in improvements that differentiates a true capitalist from a “rent seeker.” The rent seeker seeks an unfair advantage from trade protection which he translates into cash that he can pocket. These are over generalizations, but not so far from what happened in my industry.



Bardia: As a businessman and at the time you were striving to make your company more profitable and successful, did you ever wish or demand to be supported by the government– for example, through exclusive subsidies and tax breaks, or by imposing quotas and tariffs on your foreign competitors?

Ed: When we were importing from abroad, as I described above, the quota and duties were not a major problem because all my competitors



had to deal with the same costs. We had a level playing field. If we could have avoided these increased costs, we would have lowered our prices and the consumer would have benefitted. The quotas are gone now and so garments are cheaper for that reason.

In general, I wanted the government to stay out of my business. Over the years, the level of regulation of many of the activities we engaged in became more of a burden.

Bardia: Now let's talk about something else. I know that you are extensively engaged in philanthropic activities in Southeast Asia. Please tell us something about these activities and also about your motives to do humanitarian works.

Ed: For the past 11 years, I have operated a private foundation to give money to worthwhile organizations in Cambodia. That poor Southeast Asian country suffered from what is called genocide when they were ruled by the Maoist Khmer Rouge. During those three years from 1975 to 1979, one fourth of the population died of torture, execution, starvation, and disease. I became involved in 2002 after traveling there and seeing the problems and misfortunes of the people many years after the genocide. I now travel there once or twice a year to help people and support organizations.

Every time I visit, I can see lives saved and people's condition improved as a result of the efforts of foreigners who wish to help. Cambodia is like many developing countries where the government and government

officials who should be helping the people instead prey on them. The human rights environment is very poor and deteriorating steadily. Nevertheless, there are organizations from around the world that are helping the average Cambodian survive and improve his life.

I do this work because it feels good to help and because I learn so much about how societies function and how people get by. When I am away, I can look back on life in the US with a more independent opinion and with a profound appreciation of the blessings of peace and freedom we enjoy.

Bardia: By the way, I know you have been to Iran as a tourist on a few occasions. Do you have any particular recollection? And I would like to know what you generally think about our country and its people.

Ed: I have traveled to Iran twice, once in 2000 and once in 2003. The first trip lasted 11 days and I took my son and a friend. We visited Tehran, Shiraz, Esfahan, Yazd, Rasht, Anzali and spent a night in the Roodkhan Castle near Fooman in the Caspian foothills. My impression can be summed up in one expression: I loved Iran. The countryside is beautiful, the attractions and culture are fascinating. The food is the best in the world. But more than anything, the people are so warm and friendly. Iran has been an advanced civilization for thousands of years and a major influence on much of the world.

I can never forget the majesty of Persepolis, the beauty of Imam Square in Esfahan, the phenomenal Fire Temple in Yazd (it amazes me that humans are so devoted that they have kept one fire continuously burning for over 1600 years) and the delightful spring evening at the Roodkhan Castle.

Many Americans have warm regards for the people of Iran, its culture, and its history. I also eat at an Iranian restaurant in Chicago every chance I get and my favorite food is Fesenjaan.

Bardia: May I ask how much you think the international sanctions and financial/commercial restrictions imposed on Iran will impact our country's economy and how do you think an ordinary Iranian businessman can adapt his business in order to survive in such difficult times?

Ed: I would think that the international sanctions being put on the Iranian businessman would be crippling. I would not want them on my business. In theory, if they are applied fairly and evenly across the

board then all businessmen compete on a level playing field. But the sanctions destroy growth and all business benefit from a growing economy. Businessmen can always adapt and survive but, to do so, it takes iron will, shrewd management, and an indomitable sense of proprietorship.

Bardia: Finally, as a successful American businessman do you have any golden advice or word of wisdom for the young Iranian entrepreneurs and business owners?

Ed: When my father turned the business over to me in 1979, he reached in the trash basket, pulled out a piece of waste paper, and wrote three words on it. He figured that I could learn everything else from books and experience, but this one thing no one would ever teach me. I will send you a scan of the note with my father’s handwriting on it.

(Here is the picture of the note Mr. Bachrach did send us after the interview that reads:
Mis-Trust the Obvious)



Bardia: On behalf of myself and the editorial team of the “Excellent Organization” magazine, I wish you all the best with your amazing philanthropic activities in Cambodia and once again I thank you very much for giving me the opportunity to conduct this exclusive interview.

Ed: And I thank you too for giving me the opportunity to talk to your readers through this magazine. I look forward to visiting your beautiful country someday for a third time.

