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How Surviving Lehman Brothers Made Me A Better CEO

COMMENTARY by Justin Palmer FEBRUARY 2, 2016, 11:51 AM EST

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The training ground at the bankrupt Lehman Estate is one of the primary things that helped me become successful.

As the recession took hold toward the end of 2009, I caught up with a good friend who had worked at the investment bank prior to its bankruptcy. He was in what seemed to be a career whirlwind that ended with him being retained by Lehman Brothers Holdings – the bankrupt entity – to help manage the real estate assets of the Lehman Estate. I was bored at my current job, and I became more and more interested in the work that he was describing as his day-to-day role in the bankruptcy. I had no idea the domino effect that conversation would have on my career over the next three years.

Within a few weeks, I made the jump from a well-known institutional real estate investment firm to the bankrupt estate of Lehman Brothers. I was in shock during my first few months, as I seemed to be in the heart of the financial equivalent of a nuclear explosion. Lehman, at the time, had approximately $18 billion worth of real estate assets on its balance sheet, and I had joined a small, close-knit, group of former Lehman employees to help execute the work-outs and restructuring of those assets.

I spent about two and a half years at the Lehman Estate, and I came out of that role with the experience of a wartime general. I had foreclosed on several prominent New York property owners, and I worked with Lehman's creditors to finish the construction, repositioning and stabilization of a portfolio of commercial properties that were valued around $400 million. It was organized chaos. Anything that could have gone wrong with those assets, did. And it was my job to fix it, no matter how big or small the issue.

When I left the estate, I knew I was ready to pursue investments on my own. Ultimately, I took a role in acquisitions with a boutique Manhattan-based developer to sharpen my development skills. I only lasted about six months with the firm prior to starting my own business – Synapse Development Group, a real estate investment and development firm.

No one could understand what I had seen during the largest real estate bankruptcy in U.S. history. No one could understand that someone my age could have acquired such intense experience, during the biggest real estate downturn in recent history.

For those of you who are entrepreneurs, or aspiring entrepreneurs, I have outlined what I consider to be the three most valuable lessons of my experience working at Lehman Brothers, and how it prepared me to run a company.

Be resourceful

At Lehman, we were charged with finding a path to maximizing the recovery value of each asset – even if that meant investing more capital from the estate to achieve that value. As an entrepreneur in the real estate development business, our investors do not partner with us to listen to all the challenges that a development project entails. They partner with our firm, because we have the skill set to find a way to maximize the value on a project. The difference between companies that make it and companies that don't is a slim margin and those that "find a way" are here to tell the war stories.

Be strategic

Dealing with the inter-workings of a bankrupt company while trying to inject capital into real estate assets, required what author Howard Marks refers to as "second-level thinking," which is not easy to maintain. Second-level thinking requires someone to consider multiple scenarios and outcomes, while addressing the myriad of factors that come into play on an investment (feasibility, finance-ability, insurance, legal structure, public relations). As an entrepreneur, second-level thinking is the reality of your day-to-day, no matter what business you run. Entrepreneurs are taxed with the heavy load of their company, and evaluating endless potential outcomes is not easy, but it is required.

Results matter more than effort

At Lehman, there were a lot of pissed off people and understandably so. Most creditors received pennies on the dollar as the recovery value of their original investment. I learned very early on that "trying" to maximize value of the asset that I worked on was not enough to achieve notoriety in that environment. Results and actual recovery value were all that mattered. In running a business, trying really hard does not pay your overhead – you either do, or you don't.

Justin Palmer is the founder and CEO of Synapse Development Group.