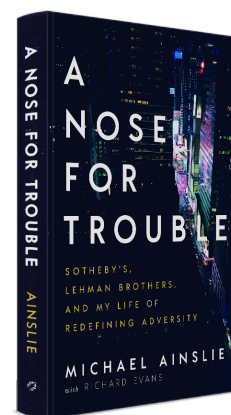


# A Nose for Trouble

Sotheby's, Lehman Brothers, and My Life of Redefining Adversity

by **Michael Ainslie**



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## THE SUMMARY IN BRIEF

Reflecting on his life through memoir, Michael Ainslie expected to expound on change and leadership. In his teens, a rare autoimmune disease almost killed him. In his early twenties, he narrowly avoided arrest by a Russian soldier at the Finnish-Soviet border. In his thirties, the oil embargo of 1973–74 doomed his first real business venture. In his late fifties, at the end of a successful ten years as CEO of Sotheby's, he became entangled in one of the most public price-fixing scandals of the twentieth century. Though he wasn't guilty of wrongdoing, merely having his name linked to the company spelled trouble. In his mid-fifties and early sixties, he was on the board of Lehman Brothers, casting a vote on the night that Lehman was forced to declare bankruptcy.

This is not just a memoir about change and leadership, but what it looks like to grow through adversity and discover you have more to offer the world. Ainslie shows that a person can succeed and rise due to highly ethical behavior and a willingness to do the right thing. Any one of his difficult moments in life could have stopped him in his tracks, but he chose to move forward.

## IN THIS SUMMARY, YOU WILL LEARN:

- That the foundation of family matters for setting life's course.
- Integrity must be consistent across all parts of work and life.
- Giving back starts early—don't wait to invest in others.
- Abundance of finances and connections are made to be shared.

### Introduction

Late on Sunday evening, September 14, 2008, the Lehman board considered a vote that could have sent markets plummeting at an even faster rate than they did in the next few days. Lehman Brothers, although the smallest of the four major investment banking houses, had recently been the most successful of the four, riding high on the wave of prosperity that ran through the American economy in the early years of the twenty-first century. The board did what they had to do. They approved the largest bankruptcy in world history. This was a harrowing moment for Ainslie, one of many moments in his life of making difficult, but right, choices.

### The First Decades

Ainslie's grandfather's early death left his father, at sixteen, the male head of the family, with the prospect of supporting his mother and his sister. He could not afford the luxury of a college education, and he set about devising ways of creating some income. One of them involved raising chicks in the basement of his family's Knoxville home. This venture worked fine until he nearly squashed Ainslie's grandmother one day when she, a petite lady, was in the basement, inspecting the hatchery. Suddenly, the six-foot-tall incubator that warmed the tiny chicks came crashing down on her one-hundred-pound frame, but with his father's help, she managed to escape with nothing more than a few bruises.

Despite the mishap at sixteen, Ainslie's father was known for the way he treated people. It didn't matter whether he was talking to a gas station owner, a convenience store clerk, or a random man in the street; Ainslie watched his dad treat every person with equal respect, going the extra mile to help people improve their lives.

### Strengthened by Weakness

Ainslie's hopes for a future in college basketball were dashed when doctors diagnosed him with Addison's disease. But, Ainslie, as a believer that all things happen for a reason, could say that having to give up basketball turned out to be the best thing that happened in his young life.

Heading to Vanderbilt, with no chance of playing college sports, Ainslie turned to student government. That became one of the first opportunities in his life to identify a problem, "see things the way they are not," and then sell a "big idea." He enjoyed getting others excited about sharing a vision. In his first campaign, with his good friend as his opponent, he did well, particularly among the guys, winning

the male vote by a slim margin. However, he had a secret weapon. His girlfriend at the time was incredibly well-liked and well organized, and largely through her leadership and their joint efforts, he won the female vote by a sizeable margin. He won the election and learned that going against established ideas can be rewarded if your new idea is a better one and is delivered with clarity.

### Traveling the World

Ainslie's worldview expanded when he was named a Corning Fellow with the opportunity to step out of the classroom and learn in the world. Feeling like a bird out of a cage, he spent \$1,300 of the \$5,000 grant on a Pan Am round-the-world ticket. Ainslie visited nearly thirty countries, interviewed hundreds of people, and become a citizen of the world. These experiences allowed him to grasp something more of the complexities of different cultures and societies. There was no curriculum—his instruction was simply to travel wherever he wanted, interview people, and explore. Lessons learned shaped his future career in business and entrepreneurship.

During his year as a Corning Fellow, Vietnam was a place that left a long and lasting impression. In the throes of the Vietnam War, his economics degree from Vanderbilt placed him in a role as labor negotiator between the U.S. Embassy and the corporation that employed 50,000 people, mainly Vietnamese, in wartime construction. Some circumstances stood in his way of success—protesting Buddhist monks, a near crash-landing of a small aircraft, and navigating the politics of war. Ainslie discovered that life's lessons are best learned on the hoof. Sometimes that entails quick thinking, sometimes ingenuity, and always patience.

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### Modernizing Sotheby's

Sotheby's has a long-standing reputation of being one of the world's largest and most venerable brokers of jewelry, fine art and collectibles, and luxury real estate. Ainslie assumed the role of CEO in 1984, not imagining the legendary company would ever be involved in scandal.

### Changing of an Institution

When Ainslie joined Sotheby's, he was full of trepidation because of his limited art knowledge. He soon realized that the company's challenges did not lie in the realm of art expertise, which it had in great depth. It needed saving in many other ways. When Ainslie arrived on the scene, it was evident that animosity was running high between the stuffy

British establishment and those Colonials across the Atlantic. Even their computer systems couldn't talk to each other.

So how did he change Sotheby's? His ideas freed up time for experts to reach out to clients. Sotheby's began to hand-carry works of art around the world. They made galleries the fun, social place to be on weekends. Sotheby's provided financing to ease the immediate cash demands of collecting. Through these and many other changes in antiquated practices, they began to break down the "threshold resistance" and bring private collectors into the salerooms. And Sotheby's the art retailer it aspired to be.

### Behind the Scenes at a Top Auction House

One influential member of the board was Henry Ford, grandson of the founder of the Ford Motor Company. Ainslie grew fond of Henry, who was a good-hearted soul. He was not a man who liked to be surprised, and as chairman of the compensation committee, he wanted to be briefed in detail before each board or compensation committee meeting. This necessitated that Ainslie fly to Detroit eight or nine times a year so that he could script every part of the meeting. It's interesting to think of how quickly the world's attitude can change—the Sotheby's board provided a perfect example. The grandfathers of Henry Ford and Heini Thyssen were both known anti-Semites who openly supported and assisted Hitler. Yet little more than four decades later, their grandsons sat at the same table on a board chaired and liberally populated by Jews, and everyone became genuinely good friends. Sometimes there is hope for humankind.

### Sotheby's Scandal

Ainslie was still CEO of Sotheby's when the famous collusion began between Sotheby's and Christie's, the competing auction house. The collusion was extensive and well documented. At the trial, it came out the Christie's player had maintained a treasure trove of documentation chronicling their deliberations, more than 500 pages of illegal exchanges and agreements, over five years. With these agreements, they guaranteed future profits and clearly showed no regard for clients or employees of the two firms. As was proven after exhaustive legal inquiries, Ainslie had absolutely no knowledge of their meetings.

Despite the problems that were brewing behind the scenes toward the end of Ainslie's tenure, he looks back on the time at Sotheby's with far more fondness and a sense of achievement than regret. It was the highlight of his working life.

## Family

Ainslie met his second wife, Suzanne, at a lavish birthday party. It took a year to propose. Ainslie, speaking of his wife, says, "The longer I was with Suzanne, the more I came to understand what an exceptional woman I had found. She was more than a partner, a lover, and a wife. She had become my best friend and my advisor on all aspects of my life."

For Ainslie, among the greatest of investments you can ever make in your life is your family. He is most proud that his children have pursued their passion, even when it was not the most obvious or lucrative profession; they are doing what they love, and as a result, they are great parents and happy spouses.

## Public Service For A Life That Matters

Ainslie's business experience made him unafraid to ask for what he wanted. Turning those requests to the needs of others defined his post-Sotheby's years. Ainslie believed that philanthropy plays an enormous role in the life of the United States and is one of our country's greatest strengths. It enables us to find solutions to social issues in the most creative ways. As a whole, it's important to remember that we all arrived on this earth with nothing, and we all depart with nothing. It is up to us to share what we are fortunate enough to accumulate in a world that we all know is far from equitable.

### Posse

In 1989, five seventeen-year-old kids—four girls and a guy—boarded a Greyhound bus with their mothers in New York City and set off on a twenty-six-hour ride to Nashville, Tennessee. The kids who got on the bus did not have a lot of money, were not necessarily the most academically accomplished students from their various public schools, and hadn't made top SAT scores. But they'd been invited to participate in an innovative program. The students had each been specially selected because of their drive, intelligence, vision, and ability to communicate. They'd been chosen because they had, even in their high school years, already demonstrated themselves to be leaders. They were headed for Vanderbilt University under a new program called Posse, and that bus ride was only the beginning of their journey.

Ainslie's opportunity to become involved with Posse arrived at a time in my life when he was trying to find a new passion after leaving Sotheby's. The more young people he

met through Posse, the more he came to realize how much untapped talent they possessed yet how limited their opportunities were. Without The Posse Foundation, they would likely not be able to change the trajectory of their lives. It affected Ainslie's trajectory, as well.

### Raising Funds for a Cause

During his time at Sotheby's, Ainslie was asked to help the oldest child welfare agency in America, Graham Windham, founded in New York City in 1806 by Isabella Graham, Sara Hoffman, and Eliza Hamilton, who was the widow of Alexander Hamilton. The request centered around the need to restore a campus on the banks of the Hudson River. The campus housed kids from the impoverished inner-city areas of New York who, sadly, could no longer live at home due to abuse, abandonment, or other dire circumstances.

### Creating Beginnings for Others

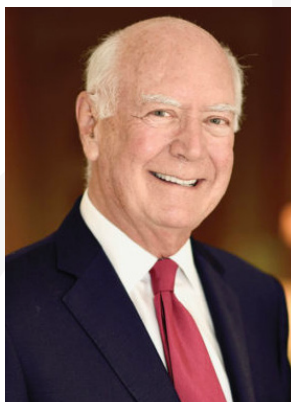
Ainslie believes there's something powerful in the connections we make with people that can create opportunity, bring good out of a situation, and build bridges. He engaged with people in a way that demonstrated respect and genuine care. He wanted to help them recognize their potential and be better off in the long run. At some point, he began to see connecting people as a primary role in his life, and now, every day, Ainslie tries to do something intentional to connect personally with others or connect people with one another. This can involve introducing a Posse scholar to someone who works in a field of interest to the scholar, helping someone land a good summer job, helping a connection get accepted into naval Officer Candidate School, or advising a young professional. Ainslie enjoys being able

to connect people in a way that inspires others, makes people think, and offers a greater perspective. And he's always glad to have opportunities to meet more people and build relationships. Inevitably, these names and faces come to mind at later points in life. As Ainslie says, "You never know when one person's story might need to intersect with another, and simply in connecting the two, you open a door."

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### Conclusion

A life holds opportunities, challenges, and lots of adversity. The big question is, how does one make the most of the years that are given? A good life is one that overcomes adversity, learns from it, and tries not to repeat the mistakes, all the while helping others.



Michael Ainslie is an American businessman. He served as the president and chief executive officer of Sotheby's from 1984 to 1994. He was a director of Lehman Brothers from 1996 to its 2008 bankruptcy, and oversaw "the sale and disposition of the company's remaining assets" by 2010.

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