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Canadian Business

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MY FATHER'S BRILLIANT MISTAKE

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BY NINA MUNK

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Nina and Peter Munk

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"THE ULTIMATE BUSINESS SCHOOL"

STAFF WRITER JOE CASTALDO SPEAKS WITH PETER AND NINA MUNK

What did you know about Clairtone growing up, Nina?

NM: It's part of our family mythology, so to speak. It was my father's first company. Although it was certainly not his biggest or most successful company, it was in many ways the one that really set the stage for what came later.

What did you think about your daughter writing about you, Peter?

you moved in stock-market circles and talked about multimillion-dollar loans, I was a bit of an exception. I had an accent, I wasn't born here, I had no contacts. I was quite a novelty, a weirdo. But David was as much a part of this as I was. Everything I've done, David gave me. David was Establishment. David opened the doors.

There's a quote in the book from Alexander Ross, former editor of *Canadian Business*, referring to you as a hero. Is that how you felt?

PM: I must say that we did. We broke every mould. On the one hand, we were on the stock market, and the stock performed really well. In those days, you've got to remember, there were not exactly hot stocks. Bell Telephone wasn't known for rapid movements. Nor was Noranda, nor was Falconbridge. We were. Our product was in all the sexy magazines, and we openly

PM: I didn't think much about it. I've got so many other things to think about. I happen to love her writing. And of course when I read this essay in Switzerland two weeks ago, I must tell you that I was so overwhelmed that I had to stop reading.

What was overwhelming about it?

PM: How absolutely correctly she got me. To recapture the motivations and to highlight the flaws, as well as some positive things, it was spectacular, and it really got to me.

What was the most important lesson from the Clairtone experience?

PM: Clairtone was learn as you go. It started from zero. I never went to business school, I never took economics. I was an engineer. Nor did David [Gilmour] have much experience. What I did learn from it, really, was the art of doing business. I learned what is noise in business, and what matters, what moves the company ahead and creates value. I learned the enormous importance of being yourself, practising all your activities with integrity, because it always pays in the long term. It taught me two main themes that I maintain today, that you can combine an aggression in operations with conservatism in finance. I learned that government and business don't exactly work together very well, [and] the reliance not just on optimism—which is a vital component of an entrepreneur's life—but you've got to combine that with an expectation that your optimism may well not be fulfilled.

NM: Clairtone was the ultimate business school for my father. You could argue it was either a very expensive business school, or a low-priced one.

Did you have any mentors?

PM: No, I really didn't have anybody. I evolved [into mentors] some of my suppliers who liked me, some of my bankers who liked me. Remember, I was in my late 20s or early 30s, so in those days, when

For more from Peter and Nina Munk, please see www.canadianbusiness.com/munk

associated with people like Dizzy Gillespie and Oscar Peterson. So we had glamour, and we had financial rectitude.

You've also said the experience was traumatic. When did it get so?

PM: When it collapsed, when I was fired on that day in '67. Not just my financial base collapsed—hell, that happens to a lot of people—but my identity. Remember where I came from. I was born in one country, driven out to another country, taken as a refugee from there. Here, I was totally accepted, at all levels. I was elected as the youngest member of the National Research Council. Well, for someone who could barely finish his engineering degree, to be sitting there contributing to decisions on research policy, was a heady, heady time. My identity was totally intertwined with that of the Clairtone image. I lived for Clairtone. I would have died for Clairtone. It was me. And when I was kicked out, and some big American schlub came in there for six months and six other CEOs came in until the thing went down the drain, my world collapsed. Totally, completely, and utterly.

So what did you do next?

PM: It took a monastery kind of self-contemplation and solitude that is today almost unimaginable, by going up to my little island in Georgian Bay. I sat in my cottage for six weeks and talked to friends who dropped in, and it took that kind of regeneration to regain my composure and my self-identity. And even then it didn't come back for another year until I came up with a new idea, and turned that idea into reality.

Was your family with you?

PM: Nina's mother, she was always a very good friend of mine, and we still are today. But we separated. She said to me, I tried to keep her in a golden cage. I really had no time for my family. Clairtone to me was my life. Not 50%, not 75%, but 101%.

Did your subsequent businesses take up so much of your life?

PM: Well, clearly your first love affair is always more feverish than your second one. But the characteristics that drive you, the traits that make you ambitious, do not fundamentally change. Probably the fact that I failed at Clairtone, and failed so publicly, added



"IT'S REALLY HARD TO REALIZE TODAY HOW HUGE CLAIRTONE WAS THEN. IT HAD ENORMOUS IMPACT."

a great degree of further determination to succeed in whatever I've done afterward.

What do you remember about the day you were fired?

PM: It was televised. It was the first extraordinary general meeting that was televised. CBC still has records of that. It was headline news in those days.

NM: It's really hard to realize today how huge Clairtone was then. Not financially huge, but it had an enormous impact on Canadian business and on Canadian society. There was an enormous amount of *schadenfreude*, too, this idea of these upstarts, David Gilmour and Peter Munk, at their youthful stage in life, thinking that they were doing things to challenge the old guard.

So what was your biggest mistake at Clairtone?

PM: We just didn't fully explore the pitfalls of opening the factory in Nova Scotia. In Pictou County, the whole population had been on welfare at that time for two generations. To change that mentality into modern industrialized operations, where day-to-day punctual appearance was essential, would have required a cultural change that would have taken us a couple of years. We just didn't have the financial wherewithal to buy time to do that.

Nina wrote in her essay that it may have been the company's tendency to overreach that caused its demise.

PM: That's her view, and it's a justified view. But if you don't overreach on the one hand, you never get there. If you overreach and you fail, you're a failure. And thank God I had a second chance to prove myself. If I hadn't, it would have been a major catastrophe for me. This way, it became part of a fabulous learning curve.