# Pros and Cons of Investing in Tech Conglomerates

The 1960s was the time of revolution - Country Joe asked the Woodstock crowd, "What are we fighting for?" while Creedence Clearwater advised soldiers to "Run through the Jungle" in Vietnam. Riots exploded in the nation's largest cities - New York City, Los Angeles, Newark, and Detroit - as black Americans protested against racism and discrimination. Young women and their mothers marched, picketed, and sat-in to end the historical barriers and prejudices of a male-dominated society.

Wall Street and the boardrooms of America's largest companies were not immune. The business strategies of concentration and specialization when the name of a company described its business were prevalent in the country's biggest corporations and exposed them to a new breed of corporate raiders - the conglomerator.

# Evolution of Conglomerates

## Corporate Strategy and Acquisitions 1893-1970

For most of the United States' economic history, business owners focused their efforts on building a company within a specific industry, sometimes to a single business sector or process within an enterprise. For example, retailers seldom produced the products they sold, mining companies did not refine ore, and shipping companies - whether ships or railroads - transported raw materials and products from one place to another.

There have been multiple waves of merger and acquisition (M&A) cycles during the period 1893-1974, each driven by a specific corporate purpose:

## 1893-1904 Market Dominance

In the late 19th century, U.S. companies, especially in the manufacturing industry, expanded by acquiring companies in the same sector (horizontal mergers). As a consequence, the acquirers gained economies of scale and eliminated competition.

The success of the strategy led to product monopolies such as Standard Oil and American Tobacco and subsequent regulations prohibiting anti-competitive combinations (the Sherman (1890) and Clayton(1914) Antitrust Acts).

## 1919-1929 Cost-Cutting

With the new laws banning horizontal mergers, companies began acquiring suppliers (upstream) and distributors (down-stream) of their products to increase efficiency and cut costs of raw materials and logistics (vertical mergers). As a consequence of the acquisitions, the more significant players became more dominant, and oligopolies replaced monopolies.

Automobile, steel, and petroleum companies were most active in vertical acquisitions, evidenced by Standard Oil's expansion into refining, retailing, and marketing during the period. This wave was ended by the Great Depression and market crash of 1929.

## 1955-1970 Risk Reduction through Diversity

The Celler-Kefauver Act of 1950 strengthened the earlier antitrust acts and expanded the merger prohibition to any combination that reduced competition. With vertical and horizontal mergers virtually prohibited, corporations began to acquire firms in unrelated businesses to reduce economic risk and grow revenues.

Despite having dominant market shares and lower vulnerability to competitors, most companies' fortunes continued to be subject to economic risks; their profits and stock prices rising or falling with each phase of the economic cycle. Such organizations are considered "cyclical" and include companies in the steel, automotive, and providers of luxury items among others.

At the same time, those industries producing the essential services of food, power, and household necessities are less vulnerable to economic cycles; their profits and security prices remain stable or growing during times of financial distress. These companies are considered "contra-cyclical."

The profits and stock prices of a typical cyclical company - Ford Motor Company- and a contra-cyclical company - Proctor & Gamble — during a full economic cycle (1990 to 2003) illustrate the differences in their response to the business cycle:

- Ford reported $3.47 billion in profits for 2000. In 2003, the automotive company reported net earnings of $495 million, following a loss of $980 million in 2002. The stock price of Ford Motor Company rose from an adjusted $2.62 (January 1990) to $17.58 (April 1999), one of the most extended booms in economic history. During the subsequent recession, the stock fell to $7.12 (April 2003). During the boom period, Ford's stock increased 571%; in the subsequent recession, the stock fell 59.5%.
- Proctor & Gamble, a manufacturer of favorite household brands like Pampers, Tide, and Crest, reported consistent net profits for the 1990-2000 decade, including $3.54 billion in 2000 and $5.18 billion in 2003. As a result, Proctor & Gamble's stock price rose from $4.12 in January 1990 to $29.02 in April 1999 and increased to $29.96 by April 2003. During the growth phase of the economy, the stock rose by 604% followed by another increase of 2.5% in the recession.

In addition to disgruntled shareholders when profits fall, company managements are forced to take painful short=term measures to cut expenses and conserve cash. The consequences of employee terminations and layoffs ravaged confidence in management and sabotaged long-term planning.

To reduce their vulnerability to falling sales, tight cash flow, and angry shareholders, managements of industry leviathans began to slowly and carefully acquire companies in contra-cyclical industries. By diversifying beyond their primary industry, they hoped to protect earnings, smooth cash flow, and keep their jobs. The new combinations were called "conglomerates," first coined in the field of geology to describes a rock of diverse materials held together by a common connecting element.

# The Era of the Corporate Raiders 1974-1989

Savvy financiers like Jimmy Ling of LTV, Meshulam Riklis of Rapid American, and Charlie Bludorn of Gulf & Western terrorized the boardrooms of America's largest companies for two decades of the 70s and 80s. With the chutzpah of a new sheriff in town, the new kings of conglomerates ushered in a new era of investor expectations centered on continuous profit growth through acquisitions and higher stock prices. Any company whose shares traded at a low price-earnings multiple could become a target of the well-heeled corporate predators by a "hostile takeover."

Ling, who some called the Merger King, was alternately admired and despised. The New York Times described him in 1972 as a "corporate gunslinger" and a master of the financial management of assets. "He made dazzling moves on the financial chess board with tender offers, warrants, convertible debentures, deployed assets, interest charges, bank loans and exchange offers, his computer-like mind aware of the new opportunities and options opening up with each new move."

Over two decades, the self-educated Ling transformed a one-man electrician business into the 14th largest industrial company in the United States. In 1984, Inc. magazine considered him "the most notorious of the conglomerators, men who collected and traded business assets the way boys trade baseball cards."

# Meatballs, Golf Balls & Goofballs

Ling and others used a strategy of asset redeployment and leverage to acquire businesses, proving in Ling's words that "you can get something from nothing." The success of the plan - higher earning per share (EPS) to increase PE ratios - is the result of

- **Combining low- and high-PE companies**. A company whose stock trades at a high price-earnings multiple (PE) acquiring a company trading at a low PE raises the earnings per share of the acquirer, thereby reinforcing the strategy of rapid acquisitions. For example, Company A, with earnings of $1 per share trading $25, desires to acquire Company B, also earning $1 per share trading at $8. Company A offers to make a tax-free exchange of shares, valuing Company B shares at $10 (a 20% premium over market value). If accepted, shareholders of Company B will receive .4 shares of Company A

stock for each share of Company B. Following the acquisition, the combined earnings are allocable to fewer shares outstanding, producing an apparent rise in earnings per share.
- **Using debt with IPOs for purchases**. In some cases, the merger masters issued debt to the shareholders of their targeted acquisitions, leveraging the acquired company's assets as much as possible. The new owner of the business would then break the old company into separate parts and subsequently take each part public. For example, Ling's LTV acquired Wilson Foods in 1967, divided it into three separate division - Wilson & Company (the meat business), Wilson Sporting Goods, and Wilson Pharmaceutical & Chemical - and took each resulting business public, maintaining a majority share in each. Ling reportedly referred to the Wilson asset deployment as "meatballs, golf balls, and goofballs."

# The Consequences of Excess Leverage

Astute financial executives were quick to recognize the strategy's impact on reported earnings, even when no actual improvement had occurred. Investment banks recognized the potential opportunity for profits and eagerly funded acquisitions of their clients, even creating and supporting a new investment category - junk bonds.

Inevitably, greed brought the era to an end. Banks failed to differentiate between good and bad acquisitions, lending too much and too often to corporate raiders seeking to make a quick buck and unable to manage their acquisitions. By the end of the 1980s, conglomerates had fallen from investor favor. Initially providing efficiencies available in the unsophisticated capital markets, the combination of excessive leverage, the difficulty of managing diverse operations, and the recessions of 1973-1975 and 1980-1982 led to falling revenues, profits, and stock prices. The S&P 500 fell 48.4% between January 5, 1973 and October 3, 1974 and 27.1% between November 28, 1980 and August 12, 1982.

After years of declining profits, Ling was forced from LTV in 1970, and the company filed for bankruptcy in 1986, the largest bankruptcy ever at the time. Riklis took Rapid America private in 1981 to end problems with disgruntled shareholders. Bludorn died in 1983, and the new CEO Martin Davis of Gulf & Western sold many of his predecessor's acquisitions to streamline operations. The days of the swash-buckling, anti-establishment conglomerators were over.

# Leveraged Buy-outs and IPOs

Nevertheless, their tactics - the leveraged buyout or "going private"- was later adopted by hedge funds and private capital firms. In such cases, the acquiring company expected to retire the debt by issuing new equity at higher prices in the future. Harvard Business Review described the process in 2007 as

- buying an asset-rich business with debt,
- generating rapid performance improvement through drastic downsizing and repudiation of expensive vendor contracts, and
- retaking the new operation public.

To encourage success in the turn-around, company executives received enormous rewards if successful.

# Birth of the Multi-Nationals 1993-2008

Cross-border mergers became the rage in the 1990s, as firms crossed country borders to combine. Acquiring foreign firms seemed to be the ideal method to enter new markets and establish global dominance. Many of the most significant mergers in history occurred during the period:

- **ExxonMobil Corp**. The reconnection of two pieces of Rockefeller's original Standard Oil (dismantled in 1911) in 1998 required extensive divestitures of retail service stations but produced a natural resource behemoth with revenues of $203 billion and more than 120,000 employees worldwide. The years later, the combination had proved reserves of almost 23 billion barrels of oil and 68 billion cubic feet of natural gas. Today, the company is the third largest oil company in the world.
- **GlaxoSmithKline**. The merger of Glaxco Wellcome and SmithKline Beecham (2000) resulted in the world's largest drug company with a 7.3% global market share. The company continues to make strategic acquisitions into new markets and research capabilities including Block Drug (2001), Stiefel Laboratories (2009), and Human Genome Sciences (2013).
- **DaimlerChrysler**. The acquisition of American automaker Chrysler by Germany's Daimler-Benz in 1998 was the largest automobile combination in history ($38 billion) but ultimately failed due to culture clashes between the two companies, according to a post-mortem by Harvard Business Review.

Though U.S. corporations subsequently abandoned the conglomerate structure under pressure from shareholders, it continues to survive and thrive overseas, according to three professors of the Indian Institute of Management. They point out that "business groups" preceded the West's transient interest in conglomerate structures by more than a century, including Tata Motors in India (1868), Mitsubishi Group in Japan (1870), and Doosan in SouthKorea (1896) and continue to provide superior financial results. "That makes the business group a winning organizational structure even if it isn't popular in North America—yet."

# Conglomerates of the 21st Century

Many of the conglomerates failed in the early 2000s, weakened by the failure of global banking institutions and the subsequent Great Recession. Shareholders, especially hedge funds and private equity firms, became active, demanding representation on company boards and a new focus on profits.

Some companies such as GE, United Technologies, and Honeywell were able to avoid the stigma attached to other public conglomerates by limiting their acquisition diversity. Jack Welsh claimed GE's success was due to strict adherence to acquisitions which

- were #1 or #2 in their respective market;

- provided value that none of their competitors could match, and
- would benefit from combining with GE's engineering-intense industrial enterprise.

Conglomerates who have successfully diversified and prospered including Amphenol, Koch Industries, Danaher, and VF Corp. HBR calls those companies which have successfully managed organizational "coherent conglomerates." The magazine theorized that the success of a diverse business structure depended on logical connections of the "most distinctive, most significant" capabilities in all entities to be successful.

# Conglomerate Discount

Unconvinced by the success of the few companies capable of managing a diverse enterprise, public shareholders demanded a return to basics, focusing on a few profitable operations. Rather than reduced market risk and consistent market growth, detractors of conglomerates found bloated bureaucracies and loss of focus. According to the Boston Consulting Group, "Many investors believe that conglomerates as a whole are worth less than the sum of their parts."

As a consequence, companies with three or more divisions that serve different markets may be subject to a "conglomerate discount" ranging between 7%-15% of their market share price. No company is immune, even the most successful in the past.

Finally succumbing to shareholder pressure in 2017, GE began divesting operating divisions to concentrate in three divisions - equipment for the electricity industry, renewable energy, and aero engines and other aircraft parts. Joe Kaeser, CEO of the German-based Siemens, when announcing the breakup of its many businesses, said, "We understand that conglomerates of the old-fashioned type have no future."

# The Outlier - Berkshire Hathaway

Warren Buffett's Berkshire Hathaway and its unbeaten record of managing multiple companies in diverse industries is often credited for the recent revival of the conglomerate structure. Successful executives like Bill Gates of Microsoft, JPMorganChase's CEO Jamie Dimon, and Jeff Bezos, founder of Amazon acknowledge his influence in their own management style. Larry Page and Sergey Brin concede that the new holding company for Google - Alphabet Inc - is modeled after Berkshire Hathaway. While similar to traditional conglomerates with its investments in a variety of companies and industries, Buffett's approach reflects his long history as an investor, rather than an operating executive.

The Sage of Omaha, as Buffett is known, refers to Berkshire Hathaway as "the home of choice for the owners and managers of many outstanding businesses," a description more fitting for a holding company than a conglomerate. Berkshire seeks passive investments in undervalued businesses with strong management, established brands, products with staying power, and no debt, eschewing high-tech companies or those whose earnings are dependent upon patent protection.

The CEOs of Berkshire's various operating companies enjoy a unique position in corporate America with freedom unlike corporate subsidiary CEOs. A CEO of a Berkshire company is instructed to run the business as if

1. the CEO is its sole owner,
2. it is the only asset they hold, and
3. they can never sell or merge it for a hundred years.

According to Buffett, "What matters is selecting people [CEOs] who are able, honest, and hard-working. Having first-rate people on the team is more important than designing hierarchies and clarifying who reports to whom about what and at what times."

# The Technology Conglomerates

The new conglomerates are primarily high-tech companies centered in the digital economy such as Microsoft, Apple, Amazon, Alphabet a.k.a. Google, and Facebook:

- The New York Times claims the old-time conglomerates haven't disappeared but "are now just dressed up with a bit of Silicon Valley flair." Their influence is much greater and seemingly unlimited by industry barriers. Jeff Bezos, CEO of Amazon, warns present and possible competitors of his intention: "Your margin is my opportunity."
- The Economist describes Google's entry into all types of industries, "from transport (driverless cars) to education (online courses) to homebuilding (smart thermostats and the like). . . [with] all sorts of other projects, such as creating artificial meat or delivering internet access through a network of balloons, that might come to nothing or might change the world."
- Huffington Post called Amazon a "21st century-style conglomerate" while the Investor's Business Daily says "Facebook, Amazon, and Alphabet [Google] are gobbling up companies with a Pac-Man ferocity."
- The Yale Law Journal noted that Amazon is "now a marketing platform, a delivery and logistics network, a payment service, a credit lender, an auction house, a major book publisher, a producer of television and films, a fashion designer, a hardware manufacturer, and a leading host of cloud server space."

Historically, conglomerates were crafted to diversify risk and reduce costs by sharing resources in operations focused on multiple, different markets. Most were structured as a parent company with subsidiaries with the subsidiaries' management teams reporting to the parent company's management.

While today's conglomerates copy the structure and much of the philosophy used successfully by Buffett's Berkshire Hathaway, their goals are decidedly different. The new conglomerates focus on new markets and research, sometimes far afield from their corporate competencies. Buoyed by ever-growing cash flows, CEOs like Bezos, Page, and Zuckerberg are investing in projects that will ultimately continue large streams of profits and cash when their core business slows, claims Carlton Getz of Seeking Alpha.

Simply stated, the technology conglomerates are making big bets on risky ventures in the hope that a few will be spectacular successes:

- Alphabet has investments in driverless cars, high-speed internet services, and healthcare products.
- Facebook is pursuing virtual and augmented reality
- Apple is said to be investing in a new Apple Car.
- Amazon has invested in more than 128 companies during the last two decades, ranging from drone deliveries to cloud computing, reports Inc. Magazine.

Will such investments be worthwhile? It is too early to tell. Professor David Yoffie of Harvard Business School notes that a similar strategy has failed in past technology companies. "You have to be able to manage the innovation process and decide what investments are worth making and which ones are not," he says. "The history of this in the technology industry is littered with failure."

# 5 Reasons to Buy Tech Conglomerates

While there are skeptics throughout Wall Street about the technology conglomerates eager to forecast their failure, there are significant differences between the past conglomerates and their counterparts today:

## 1. Dominant Market Positions in Core Competency

Each of the new conglomerates dominates a technology sector:

- Microsoft's Windows constitutes 88.4% of desktop and laptop operating systems while Chrome and Explorer have a 73% share of the browser market.
- Apple's dominance of the world's mobile phone market is being challenged by Samsung when measured by total units sold but dwarfs its competitors in profits and revenues from smartphone sales.
- Alphabet's Google has 90.3% of the search engine market worldwide; their YouTube division has over a billion users (more than one-third of total internet users and shares the top spot for online advertising with Facebook.
- Amazon accounts for 44% of all online sales and 4% of the total U.S. retail sales. Amazon has the highest share of the cloud computing market (33%) but is facing competition from Microsoft (12%) and Google (5%).
- Facebook had a 63% share of the social media market, four and one-half times the next competitor Pinterest (14.2% share). Its Oculus Rift headset has a 46% share of the nascent virtual reality market.

While the companies continue to invest in new technologies, management understands the importance of their core business for cash flow and profits.

## 2. Outstanding Experienced and Young Leadership

CEOs of today's companies have grown up in a fast-moving technological world. They were recognized for their intellectual abilities early in life, continue to run the companies they founded, and have enjoyed great success:

- Sergey Brin and Larry Page, founders of Google, are 44 and 45 years-old; Brin has an MS and Page a Ph.D. in computer science.
- Jeff Bezos of Amazon fame is 54 years old, has a BS in computer science and electrical engineering, and worked for eight years as a banker and hedge fund manager.
- Mark Zuckerberg dropped out of Harvard his sophomore year to launch Facebook from his college dorm (receiving an honorary degree in 2017). Business Insider named him at age 34 one of the "Top 10 Business Visionaries Creating Value for the World."
- Bill Gates (62 years-old) founded Microsoft when he was 21, Tim Cook (age 57) has been with Apple for almost twenty years and CEO since 2009, and Elon Musk is 47 with degrees in economics and physics.

## 3. Free Cash Flow

According to the Motley Fool, free cash flow is a better business measure than net income since the latter can be easily manipulated. It is calculated by subtracting capital expenditures for the cash flow from operations; the amount remaining can be used for expansion, dividends, reducing debt, or savings.

The digital conglomerates have extraordinary free cash flows with Amazon reporting $6.48 billion, Apple over $51 billion, Alphabet $23.9 billion, Facebook $17.5 billion, and Microsoft $32.25 billion in 2017 alone. Investors will do well if they remember management guru Peter Drucker's advice: "Entrepreneurs believe that profit is what matters most in a new enterprise. But profit is secondary. Cash flow matters most." Buffett noted in his speech to Berkshire Hathaway 2017 annual meeting that "if you take those five companies, essentially you could run them with no equity capital at all."

## 4. Controlled Leverage

The first conglomerates leveraged their acquisitions by borrowing on the assets purchased, intending to repay the debts by selling new securities at higher prices in the future. When the economy and stock markets turned down, the obligations became due forcing the conglomerates to liquidate assets, often caught in a downward spiral until bankruptcy.

A simple measure of leverage is the ratio of debt to equity, calculated by dividing total liabilities by shareholders' equity. For example, the debt-equity ratio of the total companies comprising the S&P 500 at the end of the year 2017 was 0.86. In other words, each $1 of equity had an accompanying, off-setting offsetting 86 cents of debt. At the same point in time, the debt to equity ratios of the tech conglomerates were comparable: Amazon - 0.89; Apple - 0.74; Alphabet - 0.03; Facebook - 0.0; and Microsoft - 1.01) indicating that the companies have not excessively relied on the debt markets.

## 5. Exploiting Possibilities in the Future

"Today you're at the start of something amazing…I see the freeing up, not just of productivity and money, but also positive energy which can bring a more equal world," predicted Vittorio Colao, CEO of Vodaphone, at the 2015 World Economic Forum. While no one knows how technology will change the future, a review of the past suggests that change will be both incremental and radical.

Ownership of today's technological conglomerates is an opportunity to invest with some of the best minds of the age exploring the possibilities of artificial intelligence, blockchain, robotics, cloud computing, and other disruptive innovations. In short, being a shareholder in today's dominant technology leaders includes a lottery ticket to ownership of tomorrow's preeminent organizations.

# 4 Cautions about Tech Conglomerate Investments

Unfortunately, there are few certainties in life or investments. Despite the apparent opportunities in high tech, there are no guarantees. Before the smartphones, Research in Motion's Blackberry was the favorite accessory of busy executives. AOL was the first messaging network before Microsoft's Hotmail and Google's Gmail. Once dominant market leaders like Netscape, MySpace, and Betamax are distant memories or shadows to their former selves. Who remembers when the Segway human transporter was intended to revolutionize personal mobility?

A potential investor in one of today's high-tech conglomerate should remember the lessons of

## 1. History

Some say that insanity is the practice of doing the same thing over and over, and expecting a different outcome. Those investors who "have been there, done that" in the 1990s market are still smarting from the losses -real and opportunity - they suffered in the initial popularity of conglomerates. Will the future be different from the past? Some analysts think not, predicting that the high-tech conglomerates will fail just like their predecessors:

- Michael Useem, professor of management at Penn's Wharton School, claims, "The conglomerate is dead…Long live the conglomerate."
- Chris Took, head of the global strategy practice at Bain Consulting, told the Financial Times in 2007 that "the conglomerates are dead. With some rare exceptions, the conglomerates' business model belongs to the past and is unlikely to reappear."

## 2. Loss of Focus

The managers of the 1970s conglomerates assumed that operating in a range of businesses and industries would protect their earnings if hard times fell on a particular business sector, only to discover they failed to protect their core businesses - those in which they had a competitive advantage. Rather than being outstanding in one industry, they became also-rans in multiple industries.

Running a sizeable multi-company operation in worldwide markets is incredibly challenging. A 2011 article in Harvard Business Review claimed that most executives think they can take in more information than research suggests they actually can. It is not surprising that Paul Elie, a consultant with PwC, cautions, "It's [management} very difficult to do that [well] across a vast portfolio of businesses." Fund manager Richard Cook agrees, "It's just unusual to find a CEO with the skill set necessary to run one [a diversified organization]."

Conventional management practice emphasizes capturing economies of scale in a single industry, moving quickly down the learning curve, and developing core competencies. Trying to manage diverse operations creates complexity and unmanageable size without exploitable economies of scale and potential synergies. Furthermore, management often fails to understand the different sets of customers' needs and preferences, creating gaps that competitors use to capture market share.

# 3. Fragility of Management

A review of conglomerates suggests their success has been guided by a single extraordinary leader - Ling of LTV, Welch of GE, Gates of Microsoft, Jobs of Apple - for extended periods of time. Whether their talents can be replaced in the event of their absence remains a question. Can Tim Cook and Steve Ballmer fill the shoes of Jobs and Gates? Will Berkshire be able to continue their success without the guidance of Buffett and Munger?

A particular risk of success is the potential loss of the next generation of technological wunderkinds. As organizations grow, bureaucracy and regulations become necessary for control. Will the best and brightest continue to flock to the tech leaders of today?

Large organizations are often victims of their success. Success breeds over-confidence and a myopic perspective. Can the tech conglomerates retain their cutting-edge, anti-establishment culture that encourages out-of-the-box creativity?

# 4. Punitive Government Actions

Recent abuses of customer data and the possibility of additional hacking has placed large data companies in the cross-hairs of government regulators. The pressure to break up the the "frightful five" - Apple, Amazon, Alphabet, Microsoft, and Facebook - on anti-trust grounds due to the impossibility "to live without all of them for most people," notes Farhad Manjoo, author of "The State of The Art column in the New York Times. "Most of the ways that people make money now are going to be changed by technologies these companies make."

As a consequence, operatives on both sides of the political spectrum - Presidential adviser Steve Bannon on the right and Senator Elizabeth Warren on the Left - have advocate stricter enforcement, including being treated as a public utility. Tim O'Reilly, CEO of O'Reilly Media, worries that the tech giants will stumble due to political ire and regulations: "The biggest thing they're vulnerable to is that they work too hard to protect their existing businesses. That's always where companies get it wrong … they basically did things to extract money from customers than to benefit customers."

# Final Word

The events of the 1960s led to the social revolution and the end of the uniformity and conformity of the 1950s. The effects of the technological revolution of the 1990s continue to unfold. In each era, uncertainty was the prevailing mood.

The conglomerate structure was a response to the uncertain risks and opportunities of the first era but ultimately failed to meet the expectations of its advocates. Nevertheless, Gerald Davis, a University of Michigan management professor, advises, "In a world where innovation is coming regularly, where you don't know what's coming next or what might eat your lunch, it may make sense to be diversified or make some crazy bets and hope that some are going to pay off."

The potential payoffs of an investment in one of the tech conglomerates appear justified, but only if the investor follows the 6 basic rules of investing.