



CEO EXCHANGE PROGRAM #410 TRANSCRIPT

“THE DREAM TEAM: Turning Big Ideas into Multibillion Dollar Businesses”

FEATURING ROBERT JOHNSON AND BILL MARRIOTT

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AT THE UNIVERSITY OF MARYLAND**

TEASE

There are many entrepreneurs, but few turn their ideas into multibillion dollar enterprises. We'll introduce you to two business visionaries, now providing inspiration to a new generation. From the University of Maryland, Robert Johnson, “BET created more African-American multimillionaires than any company in the country.” And Bill Marriott, “90% of our managers started in the lower ranks of the company.” That's next on CEO Exchange.

SPONSOR SPOT

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OPEN

One world, many ideas, inspiring the next generation, shaping trends and forging the future, ideas that change the way we live. CEO Exchange. And now your host, Jeff Greenfield.

JEFF GREENFIELD

Thank you. Thank you, welcome to CEO Exchange. I'm Jeff Greenfield. It's probably said in this country a thousand times a day, “I've got a great idea for a product and a business, if I can just find a way to develop and market it, I can make a fortune.” But there's the rub. History is filled with examples of terrific ideas, that never earned a dime for their creators. Xerox actually came up with a user friendly

personal computer, but they didn't know what to do with it, so they sold their idea to a guy named Steve Jobs. Success requires a certain kind of vision and determination, and the self-confidence to persuade millions of people that they shouldn't just admire your offering, they have to want it. Henry Ford had the right stuff, so did Col. Sanders. And so do our two guests today, who turned their visions into multibillion dollar companies. Bill Marriott started running a small restaurant and hotel chain founded by his parents, when he was in his 30s. Back then it was mostly concentrated in and around Washington, DC but Bill Marriott began thinking outside the Beltway before anybody even called it the Beltway. We'll be talking to Bill Marriott, Chairman and CEO of Marriott International in a bit. But first a personal success story of a kind still all too unusual in America. The great grandson of a slave, born as the 9th of 10 children in Mississippi, Robert Louis Johnson grew up hungry, not literally, there was enough to eat, but hungry to make it in the world that did not make it easy for folks like Robert Johnson.

After the family moved to Illinois, young Bob spent the summer working in the same battery factory where his parents worked, and quickly gave Bob some other plans. After earning degrees from Illinois and Princeton, Bob Johnson set his sights on the cable TV industry and founded the Black Entertainment Television Network. With BET now sold to Viacom, he has moved into banking, to real estate, to hotels, and sports ownership, becoming the first African-American majority owner of a major sports franchise, the NBAs, Charlotte Bobcats. Bob Johnson is still hungry, although there is no question that he can eat wherever and whatever he pleases.

ROBERT JOHNSON BACKGROUND PACKAGE

“Go up, go up!” He's the first Black majority owner of a big league sports franchise. America's first black billionaire. “Bob, what do you buy with a billion dollars?” He's begun to acquire banks, started a hedge fund, “And now we're getting hotels.” A lot of firsts, but all part of his second act.

You may know Bob Johnson as the founder of Black Entertainment Television, the first for a long time, only cable channel aimed at a Black audience. Johnson sold BET to Viacom for \$3.3 billion dollars in 2001, continuing as CEO until last year. Many of the high profile friends whose videos he made famous on BET came to a glitzy tribute in his honor.

“Mr. Johnson, thank you so much for giving me the opportunity.” They thought it was his retirement party! “And those of you who know me know very well that this has been Act #1. Act #2 is coming.”

Born in poor, rural Mississippi, there isn't even a picture of Bob Johnson before he became the first in his family to graduate from college. While working in the cable industry in Washington, Johnson started BET with modest savings, a half million dollar investment for media mogul John Malone, and a groundswell of support from a black community, eager for high quality African-American programming.

“What we got were a bunch of music videos with women shaking their behinds and you know, gangster rap and a lot of sitcoms that that really weren't up to par.”

“They wanted me to run a non-profit, socially redeeming programming network.” Why didn't you do it?” “I'm not that kind of guy.” Some also criticized Johnson for selling BET to a non-Black owner. Others see an upside.

ROLAND MARTIN – EXECUTIVE EDITOR

He probably employs more people today than he ever did with BET. He now has the capacity to fund future Black businesses. Had he held on to BET, he could not have done that.

Johnson admits he has always been in it to make money, though his second act holds the prospect of uplifting the African-American community in a way that some say BET never did.

First basketball. Business where Black players dominate on the court, but until Johnson, the controlling owners were all white.

BERNIE BICKERSTAFF, COACH, GENERAL MANAGER

Historically it's important and you're proud to be a part of that, and it shows the progress.

JEFF FLOCK, CHARLOTTE, NC

Johnson owns both the Charlotte Bobcats at the NBA and the WNBA's Charlotte Sting. As Johnson himself points out, the basketball business isn't all that different from Black Entertainment Television. Both of them deal with big money, big stars, agents and entertainment.

His other new ventures aren't quite so familiar. Johnson's RLJ Hotels just acquired 100 properties under the Marriott and Hilton brands, making him the largest Black hotel owner in America. He also bought a Florida bank and changed its name to Urban Trust, with an eye toward cultivating urban customers nationwide, and Johnson is trying to change the face of Wall Street, starting private equity and hedge funds.

“It’s basically redoing in another sector what I did with BET.” You feel that? You feel it’s the same thing? “The same model.” Underserved. “Underserved, strategic partners, desire on certain institutions to do business with minority firms.”

“I love you. You’re e my role model.” Role model for tennis great Serena Williams, Diddy Combs, Usher, Nelly and some of the world’s richest athletes in the NBA, who may invest in his bank, hedge funds and hotel group. Creating good jobs for African-Americans. It’s not a slam dunk, but Johnson has a second shot at doing well and doing good, which he insists he wanted all along. In short I’m Jeff Flock for CEO Exchange.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the majority owner of Bobcats Sports & Entertainment and the Founder and Chairman of the RLJ Companies, Bob Johnson. (Applause) Welcome. Good to see you. As a New Yorker, I have to say however you’re struggling with a new franchise, you’re doing better than the New York Knicks did this past season.

ROBERT JOHNSON

That’s not saying very much, but... (Laughter)

JEFF GREENFIELD

Unfortunately, --

ROBERT JOHNSON

They’ve – they’ve got this large payroll, \$128 million, we got \$30 million in our salary cap and it’s good to be Jimmy _____.

JEFF GREENFIELD

Okay. I guess, well I’m not sure he thinks this way, but I see your point. When you fashion the idea of a cable network aimed at Black viewers, which there wasn’t any at the time, okay, I think it’s fair to say you did not have a surplus of capital.

ROBERT JOHNSON

No. You’re right.

JEFF GREENFIELD

So how did you persuade a hard-nosed business guy, then one of the leading figures in cable, John Malone, to say, “Mr. Malone, let’s try – let’s take an untested entrepreneur with an idea, no real experience in this, and why don’t you invest half a

million dollars in this?” How did that go? I’m sure some people out there would be very curious to learn how to do it.

ROBERT JOHNSON

Well I had the good fortune of being in cable just at the right time, when the industry was expanding, satellite technology was marrying with cable distribution. Big cities needed to be wired, and I happened to meet John Malone and John is a guy who believes in entrepreneurs. He strongly supports anybody who is trying to do something as an entrepreneur outside of going to the government for help. He was not a big believer in government subsidies, you know, affirmative action, that’s not his thing. But if he finds somebody who is going to pull themselves up by their bootstraps, so to speak, John is a supporter. So when I went to him with the idea, he was in cable. He understood the need for more programming. He had a cable system in Memphis and Louisville, with a Black population, so a Black programming appealed to him as a business side.

JEFF GREENFIELD

I would assume it also helped that getting a cable franchise is a political decision.

ROBERT JOHNSON

And about this time, early, late 70s, early 80s, many cities had Black elected officials, council members and some cases, mayors. So if you’re talking I’ve got MTV, I’ve got ESPN, I’ve got Arts & Entertainment and the Black city councilman is saying, “okay, okay, what have you got for me and my constituents?” And that’s why Black Entertainment Television in early infancy was well accepted in franchise proposals, but you still had a long way to go to get carried and get advertising and the whole other thing to make it work.

JEFF GREENFIELD

That’s a pretty high – that answer is pretty high on the candid meter. So let me pursue this. As you look back on what BET fashioned itself as, in its infancy and you look at what it became, is it fair to say that it became something else or became something other than what some of the people thought it might be?

ROBERT JOHNSON

Not for me. I always knew what it was going to be. It was going to be a business that would create entertainment, targeted to the viewing interests of African-Americans, and that would be a value proposition for myself and the shareholders who invested in it, and particularly John Malone.

Media for the Black community, for the most part, was rooted in the print media, and print media was part of the social movement. So *Jet* magazine, *Ebony* magazine, sort of chronicled the Civil Rights movement and was the only papers telling the – sort of the whole story about the Civil Rights March, and so everybody sort of gave media that kind of obligation.

JEFF GREENFIELD

And you think they assumed that that was what you were up to?

ROBERT JOHNSON

When we were the only game in town, it was BET, you were the heir parent to this electronically, you have to do what every other Black product did, during that movement. And it was never my intent, and that's why it was called Black Entertainment Television. And for a long time, I'd see some people and they'd say, oh you run that Black Educational Television network.

JEFF GREENFIELD

We see 65% music videos, some of which content was – raised a few eyebrows. And reruns, and you've actually been very frank about that. You said, "Why are you imposing this on me? I'm a businessman." Is that right?

ROBERT JOHNSON

We put on news, nobody watched it. We put on public affairs. Nobody watched it. We put on positives, social programming, nobody watched it. Now we put on music entertainment, everybody watched it! Now you don't have to be a genius to figure out what you're going to put on. (Laughter) And so, we said, look we will put on programming to appeal to an audience that wants to see entertainment. And we had on news for a long time. We covered the first interview with O.J. Simpson. We had interviewed President Clinton on his historical trip to Africa. We had a show called Lead Story, our version of Meet the Press, but nobody watched it. So my thing is, that what BET did was to showcase what I think is the most pre-eminent art form in America, and that is music. Music in the form of gospel, music in the form of urban music. Music in the form of R&B, music in the form of jazz, and some of the top personalities in this country are recording artists. And some of the people who are most influential are entertainers. So all we did was to capture what we felt America wanted to see. Black America wanted to see.

JEFF GREENFIELD

You are in now, into asset management. You got a bank. Are you going to play by the standard rules or are you going to both be different players and change the rules of the game?

ROBERT JOHNSON

No, the challenge of being a successful Black business person is you've got to play by both rules. You got to be both very proficient, at creating value, and creating well, or else you can't raise capital to grow your business. And at the same time, you have to understand how to create additional opportunities, recognizing the particular needs of the African-American marketplace. For example, 50%, almost 50% of Black households are headed by women. Which means that if you're going to market products, from a banking standpoint, or a credit standpoint, you're going to be marketing to women. You have to understand their economic situation, their economic conditions and how they'll react to their financial situation.

You have to also understand that much of Black America is unbanked. So you've got to create programs to entice those people to get involved with banks. So you have to be both cognizant of the opportunity, and at the same time, managing the business like you would any other bottom line business.

JEFF GREENFIELD

You know, you look at your background and you go to the University of Illinois and you get a BA in, I think, Social Studies, is that? And Woodrow Wilson's School of International Affairs at Princeton. And I'm looking and I'm saying to myself, this is a man who is going to spend his life in public policy. So when did the entrepreneurial bug bite?

ROBERT JOHNSON

Well my thing is I didn't like working for other people. That was my problem. So and I remember the first job I had, I was working at a battery factory. You mentioned in Burgess Battery, a true story, and I was working on this conveyor belt, back then batteries were made with pitch and they had this graphite tube down it, so it was real dirty and messy. And this pitch would fall off this conveyor belt, and my job was to – it was a summer job when I was in school, my job was to clean up the pitch as it fell off. Well the manager, the foreman, wanted me to do it as it fell off. But I thought I had a system. Every hour or every quarter hour, I'd clean it up, and then I go talk to some of the girls who were working on the other side. (Laughter) And he came to me and said, "Look, you gotta clean this up." I said, "at the end of the day, it'll be cleaned up, it'll be cleaned up every 15 minutes or so." He said, "No, you gotta do it my way." And I said, "I can't do it that way." He said, "Friday is your last day." I said, "No, it's not." He said, "Why not?" I said "Today is my last day." So I left. (Laughter)

JEFF GREENFIELD

We want to take a couple of questions for you Bob Johnson, from folks here at the Robert Smith Business School.

FROM THE AUDIENCE

Good afternoon. My name is Sadye [...]. I'm a second year MBA student at the Smith School of Business. My question to you is, looking back upon your role at BET, are there any opportunities that you say you missed, or didn't take advantage of?

ROBERT JOHNSON

This is a good lesson for those of you who are going into your own business. We built an office building and we built the foundation big enough to go up 10 stories. But we were afraid that we wouldn't grow fast enough, to build a 10 story building and we didn't want to take on the debt to build a 10 story building. So we built a three story building. Well in three years, we needed a 10 story building. So the moral of the story is, if you got a business, you're going to grow, build a 10 story building, don't build a three story building. (Laughter)

The second thing I did was we had a chance, there's a company called Radio One, some of you know about it. Largest black-owned radio company. And an investor came to me and said, "Bob, you guys, there's this radio station in Baltimore, the company needs some investment capital," we had just gone public, "why don't you put in \$5-10 million dollars in this business?" We ultimately didn't do it. But had we invested in radio at that time, BET probably would be the largest owner of cable programming and the largest owner of a Black radio network. And that's the one thing I think, we didn't do. As far as programming, you know, I think we did exactly what we wanted to do is take good high margin business where we showed the videos that the record companies would produce for promotional consideration, focused on that, and grow our brand identity, and that's the model that generates the kind of wealth that allowed BET to be sold to Viacom in 2001 for \$3 billion dollars. And so from that standpoint, that was a good way to go.

JEFF GREENFIELD

We got another question from the audience at this point, come on down.

FROM THE AUDIENCE

Hello Mr. Johnson. Brian Sands from MTM Recognition, Indianapolis, MD, small business center and my question for you would be, with such diverse demographics within your employee base and your business networks, how do you personally keep them all motivated to focus on your vision and your goals?

ROBERT JOHNSON

You find the best people you can find, to bring them under your banner, so to speak, and so you articulate your vision, you provide them with the resources, as best you can. So if they need quality office space, if they need salary, if they need IT backbone and infrastructure you provide that, so they can focus on the mission. You articulate a clear vision of that mission, and then where it makes sense, go out and find yourself a strategic partner.

JEFF GREENFIELD

Bob Johnson is going to be back with us shortly, after we meet our second guest. For now, we'll see you in a couple of minutes. Bob, thank you very much. (Applause)
See you in a bit.

When young Bill Marriott started out in the family business, he and his dad had a disagreement. His father had developed a successful catering and restaurant business, the old Hot Shoppe's chain and had added a few hotels. When Bill wanted to focus his efforts on expanding the hotel business, dad resisted. "Why take on all that debt? All the management headaches," he asked. But Bill persisted with his vision and today runs the largest lodging company in the world. Still at the helm in his mid-70s, there is no sign that Bill Marriott will end his extended stay any time soon.

BILL MARRIOTT BACKGROUND PACKAGE

He has a gentle handshake and a laid back manner, but don't let that fool you, Bill Marriott is a stickler for perfection. "You got Krispy Kremes? No you don't have Krispy Kremes. You better get some Krispy Kremes."

Now in his mid 70s, the long-time CEO travels to 200 Marriott hotels every year. "Polish sausage, huh?" Leaving no tray unchecked, no cushion unturned, no refrigerator unopened. You are a stickler and your father was a stickler, right? I've heard some stories about him. "That's right, he's a perfectionist." And you are too? "Well, not as much as he was. But I, you know we have to set high standards. And if I don't set them, then people that come won't think they are very important."

Marriott's father, John Willard, started the business with a root beer stand in Washington, DC back in the 1920s. It grew into a chain of restaurants called Hot Shoppes. The first Marriott Hotel opened in Washington, just as Bill was joining the business after college and a stint in the Navy. The elder Marriott wanted to keep the focus on restaurants, but young Bill foresaw the travel boom, and bet on expanding the hotel side instead.

“I went to my dad one day and I said,” why don’t you let me try and run this hotel? He said, well you don’t know anything about the hotel business, and I said, I know, but neither does anybody else around here.” And so they gave me the responsibility to supervise that first hotel and then to open the second hotel, and it just kind of went on from there.”

With his strong Mormon work ethic, Bill Marriott built the world’s largest network of hotels from high end properties to this Residence Inn outside Washington., that consistently rank near the top of customer satisfaction surveys. Housekeepers get a manual detailing 66 separate steps to cleaning a room. “We always look for high dust. My father was a stickler on that. He used to come over to my house, put his fingers on the top of the doors sill and my wife would about go crazy, but he wanted to make sure there wasn’t any dust up there.”

High standards yes, but the flip side for employees is Marriott’s investment in its diverse workforce. 40% of its managers started as hourly workers.

JERRY RICE – ASSISTANT MANAGER

We are a company full of a lot of homegrown or in-grown leaders in our company. Those who came in like I, myself, as hourly associates and worked our way through the ranks.

Marriott has pioneered a number of trends in the hotel industry, for instance...

CECI RODGERS, CEO EXCHANGE

Marriott doesn’t own its hotels for the most part. Instead it franchises and manages them for a tidy sum. Six percent of hotel fees go back to Marriott. The highest fees in the lodging industry.

There have been disputes with some of the owners over fees and supplier costs. But owners mostly go along with the Marriott way, because its average vacancy rates are the lowest in the industry.

The company does face challenges like keeping pace with Generations X and Y, who want a more hip feel to their hotels. “Got the new bedding.” Last year, Marriott approved an upgrade of the chain’s bedding to sleek white duvets.

CATHERINE YANG, REPORTER BUSINESS WEEK

He has a pretty good business acumen for what sells in the marketplace. So in that sense, I think he, he knows that he needs to move with the times.

Marriott may be getting some help with that, from his youngest son, David, who joined his father and other Marriott volunteers at this War Veterans Retirement Home.

DAVID MARRIOTT, SR. VP OF GLOBAL SALES

We have a connectivity panel in the guest rooms that allow folks to plug in their IPODs, their laptops.

David, who heads up hotel sales, could be in line to become the next CEO, which would ring in another era of having a Marriott at the top. In Washington, I'm Ceci Rodgers for CEO Exchange.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the Chairman and CEO of Marriott International, Bill Marriott. (Applause) Welcome.

BILL MARRIOTT, JR.

Thank you.

JEFF GREENFIELD

You are famous for wherever you are in the world, checking out your hotels. Still do it, right?

BILL MARRIOTT, JR.

That's right. Yep.

JEFF GREENFIELD

But they know you, Bill. Your picture is in the lobby (laughter), can you go to a Marriott Hotel incognito?

BILL MARRIOTT, JR.

I pull a sneak attack every now and then, but it doesn't work for long. The word gets out and soon as they know I'm there, then things kind of change a little. But there's two advantages to doing it with advanced notice. You know, the place is right one day a year (laughter), yeah, and but it's fun for me to go, because I like to see the people and I like to see the service and I like to see what condition the properties are in, and like to visit with customers and find out how we're doing.

JEFF GREENFIELD

This may sound like a piece of heresy, but do you ever stay at the competition to see how they're doing?

BILL MARRIOTT, JR.

Not very often. It costs too much. (Laughter)

JEFF GREENFIELD

There was a business disagreement between you and your dad back when, I think, in the late 60s, this would have been.

BILL MARRIOTT, JR.

70s.

JEFF GREENFIELD

Early 70s. I guess what I'm really interested in is, what did you see in the country, in the habits of your customers that said to you: recreation, hotels, this is the way to go?

BILL MARRIOTT, JR.

Well, the country was really starting to travel. Airline fares, you know, back in the 50s, 99% of the country had never flown before. And back when you got started going again, people started flying, they started traveling the interstate highway system that Eisenhower put in, got people on the road like never before. And then people started to travel and they started to tell their friends about it and travel and vacation became almost a constitutional right for the American people. And consequently, we saw this starting to go. Every time we opened a hotel, we started to fill right up. And so we only had five hotels in 1964, but today we've got a lot more. But the whole demographics and the whole marketplace has changed tremendously.

JEFF GREENFIELD

Did there come a point as the lawyers like to say, when your father said to you, "You were right? I was wrong."

BILL MARRIOTT, JR.

Oh you know fathers, they'll never admit that. (Laughter)

JEFF GREENFIELD

Well, in fact, it does raise the question since your sons work for Marriott, was that – did they ever say to you, "Dad, you know, I might be right about this because after all, when you had a disagreement with your dad, you were right."

BILL MARRIOTT, JR.

Well we don't have that many disagreements. They're usually right. I'm usually wrong and my sons are real customer advocates, which is great.

JEFF GREENFIELD

There's one story that you told me that I think is a lesson to every entrepreneur. I asked you when your father opened a root beer stand in Washington, why was the first thing on the menu tamales? And you had a very short simple explanation, which is?

BILL MARRIOTT, JR.

Well, if you're going to sell cold root beer and you're going to put food with it, put hot food with it, so you got to drink more root beer. (Laughter)

JEFF GREENFIELD

You're known to drive your company, known to drive a pretty hard bargain with your franchisees and, because you're mostly a management company now, you charge higher fees than your competitors. In one case when an owner of a luxury resort in Laguna complained your company threw up – built a competing resorts three miles away. So I guess the question is, what is it that enables you to be that tough in that deal and still have people wind up at the door, waiting to become part of Marriott? What do you give them in return for those higher fees?

BILL MARRIOTT, JR.

We give them customer preference. We've got twice the customer preference of our next competitor. Our people are out on the line, millions of transactions a day. Somebody making up the guest room, television doesn't work, call the engineer, somebody checking in, checking out going to breakfast, going to lunch, all these various independent transactions are going throughout our system every day, are done by people.. And these people have to enjoy their job, like what they're doing and have to continue to enjoy serving and reaching out and anticipating the customer's needs. That to me is the key to the success in the service business, because we don't manufacture anything.

JEFF GREENFIELD

I read that you called David Neeleman of Jet Blue every day for two weeks, to persuade him to move his Sacramento based, I guess, flight –

BILL MARRIOTT, JR.

They were based in Oakland and they were at a competitive hotel and I wanted to get them to our hotel and he had a hard time returning the call. So I stayed on him until we got the business.

JEFF GREENFIELD

Okay, here's what interests me. That was worth a million bucks, which is not chump change. But compared to what your annual revenue is, it's not a major deal. Why? Why do you do this?

BILL MARRIOTT, JR.

Everybody else in the company had tried. They worked it and they couldn't get it to happen and this was the hotel that needed the business, so what can I do to help?

JEFF GREENFIELD

And you got them.

BILL MARRIOTT, JR.

I got it.

JEFF GREENFIELD

There were a couple of things that strike me also. Your family is, is known for its strong commitment to the Morman faith. But you made a decision, I think a long time ago, that in your hotels, if people wanted to drink alcohol you don't have a choice, right?

BILL MARRIOTT, JR.

Right.

JEFF GREENFIELD

Can a customer in a Marriott Hotel for his \$9 or whatever fee, watch a so-called adult movie?

BILL MARRIOTT, JR.

We do it. We don't like to do it, but it's a competitive thing that our competitors are all doing it and our customers say they want it.

JEFF GREENFIELD

There's another area where public policy and business intersect, particularly in your business and that's immigration. Suppose somebody said, well of course, you're for

an open immigration and a path to citizenship and relatively compassionate treatment. You employ those folks.

BILL MARRIOTT, JR.

That's right. 50% - over 50% of our associates are from outside the United States. We are very much in favor of secure borders. We're also in favor of providing opportunities for everyone who wants to work for us. We want to have a good legal process in place to make sure that we're doing the right thing from a legal standpoint, but we know you cannot deport 11 million people out of this country.

JEFF GREENFIELD

One of the things that is striking I think, about Marriott. On the one hand you have a lot of relatively low wage employees. On the other hand, what you do with these employees in terms of programs, teaching English, getting them on a path to managerial skills, teaching some of your male employees how to be better fathers, citizen – getting people off welfare and working with them, at some cost. Why that kind of investment in workers who, on the scale of things, are relatively unskilled and don't command a particularly large wage?

BILL MARRIOTT, JR.

I think the power of our company is the opportunity we provide for people. 90% of our managers started in the hourly ranks or started in the lower ranks of the company and moved up to the senior level. The loyalty there, and the devotion to the business, the devotion to the guests is something you just can't buy with money. I was in our hotel in downtown Washington last week, the manager said "See that young lady over there pushing the bell cart?" I said, "Yes." He said, "She came out of welfare." She had two or three children. She had no place to live. She had no money. She came in, she started in housekeeping and she was smart and we promoted her, and now she makes \$300-400 a day as bellman. These kinds of stories are what keep us going.

JEFF GREENFIELD

After September 11th, this was – this was many things. It was a disaster, it was a murderous attack. But it also was a body blow to the whole travel industry obviously.

BILL MARRIOTT, JR.

It really was.

JEFF GREENFIELD

But over the next few years, Marriott seems to have weathered it better than any of your competitors, why?

BILL MARRIOTT, JR.

As soon as the attacks were over, we, first of all, made sure that our people were okay. We had the right security in place. We lost a hotel at the World Trade Center. Was totally destroyed. 800 rooms went down with the two towers, fell on our hotel. Lost two or three of our associates up there. But we really focused on our people. We kept, when things got real bad, we let everybody keep their healthcare coverage and we didn't lay off hardly anybody. Everybody worked. Some of them didn't get 40 hours, they got 25 or 30, but we kept them on the payroll.

JEFF GREENFIELD

And that translated into –

BILL MARRIOTT, JR.

That translated into people with a long term commitment to this company which is what it's all about.

JEFF GREENFIELD

We want to turn once again and get a question or two from members of the audience.

FROM THE AUDIENCE

Hi, I'm Lindy [...]. I'm an MBA student at The Smith School. I know that Marriott has the distinct honor of continually being listed as one of the top companies in which people should want to work for. I was wondering what the Marriott does that is so unique to make sure that they attract the top talent to their company?

BILL MARRIOTT, JR.

Well one of the things that we do is provide the opportunity to grow. I mentioned it a little bit earlier, and one of the things that concerns us the most today about attracting the top talent is the lack of understanding on the part of almost everybody in the graduate schools of business and the undergraduates school of business, about what an exciting and dynamic industry we have. The hotel industry is everything that you'd ever want in terms of complexity. We have technology, we've got a lot of that. We got a lot of sales and marketing. We got a lot of management. If you're the General Manager of a big Marriott Hotel, you might as well be a CEO of a Fortune 2000 company. So it's really an exciting and thrilling business. A lot of American students like yourself, don't understand that, and part of the thing we're trying to do today is continue to impress that on students that are coming along.

JEFF GREENFIELD

Got time for one more here.

FROM THE AUDIENCE

Hi. I'm Robert [...] from the [...] Company. Do you feel that you have a sufficient level of brands and do you see any holes or do you see any kinds of further diversification of your branding?

BILL MARRIOTT, JR.

We have a lot of brands. We started out with Ritz-Carlton at the top and Marriott Renaissance, Courtyard, Fairfield Inn, Residence Inn, Springhill, Swedish Town Place Suites. We got a lot going on out there. The one area that we are not heavily or really not involved in at all, is what we would call a style hotels. The W hotels like Starwood has, those kinds of hotels, that's a niche in the marketplace that everybody continues to look at and we do as well, but we're not there yet.

JEFF GREENFIELD

Which compels me to follow up with this question. You know, when anybody ever meets me, they say I have all these questions about television. So I can now turn the tables. Why is it that at a relatively modestly priced hotel, internet service is free and at a Ritz Carleton or Four Seasons where you're paying \$400-500 a night they sock you for \$13 a night extra for internet service? What's with that? (Laughter)

BILL MARRIOTT, JR.

I think we're all afraid to go first. It costs a lot of money to give that internet, free internet away, and I think all of the big chains are just waiting for somebody to drop the shoe.

JEFF GREENFIELD

Would you hurry up? (Laughter) Bob Johnson will be coming back out in a few minutes, but first we want to get a tour of the Robert H. Smith School of Business from MBA student, Kaprito Yago(?).

SCHOOL TOUR PACKAGE

(Music)

Hello, my name is Kapito Yago, a MBA candidate from Nyrobi, Kenya. Welcome to my home away from home. The Robert H. Smith School of Business at the University of Maryland.

The University itself was founded in 1856. It sits on 1200 sprawling acres in College Park, Maryland. Just minutes away from the metropolitan and cultural experiences of Washington, DC. Named for alumnus Robert H. Smith, the Business School pride itself with educating leaders for the Digital Economy.

The emphasis on globalization, entrepreneurship and technology begins here at Van Munching Hall, one of the most technologically advanced facilities in the world.

Students and faculty are connected 24/7 with school-issued Blackberry hand-held devices. Building has wireless internet, video and audio conferencing in every class room. Smith students aren't all business though; the state-of-the-art campus recreation center offers students an abundance of ways to balance a heavy education with a healthy lifestyle.

Thank you for visiting our campus. I have to go into the financial lab. Otherwise I would show you more of our school. As we say in Kenya, [...]

JEFF GREENFIELD

We want to thank Kip and the Robert H. Smith School of Business here at Maryland for being such gracious hosts. Give yourself a hand. (Applause) Now the fact is that both of our guests have ties to the hotel industry, so we think there is room at the inn here for more than one guest at a time. So Bob Johnson, come on out and join Bill Marriott. (Applause)

This question is irresistible. Your company largely moved out of the ownership business several decades ago. You've just bought a company that includes 100 hotels or so, right? All right, what do you know that he doesn't know? Or what do you know that he doesn't know? (Laughter)

BILL MARRIOTT, JR.

He's a very good entrepreneur, very good asset manager. We're a good hotel manager. It's a difference between managing assets, managing money, and managing investments and managing the hotel people side of the business. Very different.

ROBERT JOHNSON

What we do is, we take money from state pension funds, and go out and find the best hotel real estate we can find, be very tough asset managers, making sure that Bill's team does exactly what they're supposed to do, if they're managing. And then we try to find someone else who's looking to get in that space, and we sell the hotels and we return a very good return to the pension funds and as long as we can do that by good asset management, buying right, buying at the right price, we're really happy with the relationship. In fact, I was on the Board of Hilton for 12 years and I go out and buy 100 Marriott Hotels, they kicked me off the Board. (Laughter) They accused me of sleeping with the enemy, and so I don't know.

BILL MARRIOTT, JR.

We're glad to have you. (Laughter)

JEFF GREENFIELD

So I take it that so far at least you haven't picked up the phone and made a friendly phone call to Bill Marriott or one of his subordinates and say, "Now I'd like to talk to you about the franchise fee system we've got ..." . That has not happened yet?

ROBERT JOHNSON

Not yet, but you know, we, we are very comfortable with the relationship with Marriott and we look forward to a long relationship, which we're looking to buy more Marriotts. And we're going to buy more Hiltons and we're very comfortable.

JEFF GREENFIELD

On a somewhat less light note. On this whole issue of where greater public issues affect you, clearly, I think it's fair to say that anything along the line of another 9/11 would have a devastating impact on the industry in general. Way beyond anybody's control. And in some cases, in other countries, I know, you know, Marriott's a symbol of an American company, do you take specific steps at these hotels in terms of security? Have you had to change what you do just to protect your guests and you staff?

BILL MARRIOTT, JR.

Absolutely. We carefully analyzed the threat in each hotel in each country. For instance we did have a bombing in Jakarta and Jakarta, you can't drive in the driveway of the hotel. You have to stop at the end of the driveway, unload your car and then we'll take you in and run you through the metal check and security checks and everything else. When I go to the New York Marquis Hotel, in the company car, they stop the company car in the street, open the trunk, look inside, look inside the car, make sure everything is okay . So we are tightening down security in an awful lot of areas.

JEFF GREENFIELD

I would imagine that if somebody had told you even 10 years ago, that you would have to be doing this, as part of the hotel, you would have not have believed.

BILL MARRIOTT, JR.

Would not have believed it. No.

JEFF GREENFIELD

The broader question for you as an entrepreneur now launching into this business is, as you look at risks and benefits, which any good entrepreneur does, did you find yourself having to ask the question, I just asked, what happens if?

ROBERT JOHNSON

Yeah I think the big concern for us in the case of a 9/11 type attack or any kind of international scare is the impact it would have on the financial markets. You know, rates could go through the roof, capital could dry up. Those are the things that we're concerned about as asset managers, because our business as I said, is basically something of a financial arbitrage, although we also will tell you, in the sense that we're as concerned about the people staying at our hotels as the managers are. But at the end of the day, the biggest scare would be the impact on the financial markets.

JEFF GREENFIELD

The other side of this is, as the country gets older, and older people tend to have more disposable income, no matter what the people who program for television seem to think, doesn't this represent yet another phase of what you saw back when you first saw hotels as a future? That is people living longer, living healthier.

BILL MARRIOTT, JR.

The baby boomers are going to travel like crazy. They got the money. They want to travel. They've traveled some, that's a huge huge travel impact in the days ahead. And the XY generations are following right along behind them. So travel is going to be up we think considerably, for the next several years.

ROBERT JOHNSON

And I think two things that companies are looking at on a macro level, one is the changing face of America. The diversification of it, the growing Hispanic market, and the growing baby boom/elderly market. Those are the two core markets that any company that's in a retail or consumer-based business, will have to be cognizant of.

JEFF GREENFIELD

Both of you had visions as younger people. Both of you shaped those visions into multibillion dollar companies. If there is somebody out there, who comes to either of you and says, "I've got a great idea." What would persuade you that it would be good enough to invest in?

BILL MARRIOTT, JR.

Probably 90% of the ideas that come flying in through your transom are not good, but there's 10% that are fantastic and you got to be able to sort out the 10%. If you're

coming into present me with an idea, show me something that's sensible, that makes sense. Do your homework. Understand the benefits to my company if you're selling me something.

JEFF GREENFIELD

You once said that your watchword is caution.

BILL MARRIOTT, JR.

You can't go spend \$500 million dollars developing a hotel, unless you're pretty darn sure that hotel is going to work in that location.

JEFF GREENFIELD

Because you had John Malone at a critical point in your career, to say, here's what you need. Are you doing that with the next generation of Bob Johnson's?

ROBERT JOHNSON

I think so. I mean BET created more African-American multimillionaires than any company in the country, black or white. Simply because the people who started with me, got in on the ground floor, through an IPO, through a buy back and through a sale to Viacom. And the one example which I'm really proud to talk about is the guy who is my hotel fund, Tom Baltimore, who got his start working at Marriott, and later at Hilton. Tom Baltimore came to me and started talking about this idea of buying hotels and creating a hotel fund. I brought him in as the President of my hotel fund management team, and I would say today, based on our success, much of it due to Tom's leadership and his team that he put together, Tom is easily a multimillionaire, in the short 7 years that we've been partners in this deal. And so to me that's the kind of thing that I want to do.

JEFF GREENFIELD

I want to turn once more to the audience for a couple of questions. Yes ma'am? Go ahead.

FROM THE AUDIENCE

Good afternoon. My name is Monisha [...] and I'm a second year MBA student here at the Smith School of Business. How do your firms go about understanding your consumers, identifying what types of shifts there might be, and then what types of insights have you integrated into your organizations?

BILL MARRIOTT, JR.

We ask the customer. Somebody asked me once, "What's the most successful thing about going into business?" I said "Ask the customer what the customer wants, and

give it to him.” And that’s basically what we are doing on a consistent, continuous basis, and in spite of the fact that I don’t spend the night with my competitors, I study their products all the time. I’m in their hotels, walking their lobbies. I sneak into their guest rooms every now and then, to see what they’re doing different, and I’m out with the competition as much as I am with my own properties. Because I want to know what’s different, what’s happening, what’s going on, and I guess I’m a continuous student of the business.

ROBERT JOHNSON

Everybody wants to be treated in a unique way, in a way based on their particular needs, lifestyles and concerns. They can be part of a group but they’re an individual within a group. And I think that’s the best way I look at understanding customer trends. Recognize that people are sort of pushing for retailers and products for providers to say, look at me as an individual and not as an African-American, not as a woman, not as elderly, but as an individual, and if you do that, I think you’re going to find out that that customer is going to be very responsive to your messages.

JEFF GREENFIELD

Thanks for the question. And I’m delighted at the picture of you sneaking into the guest room at a Hilton Hotel. Ever been caught?

BILL MARRIOTT, JR.

Oh yeah. (Laughter) Oh yeah.

ROBERT JOHNSON

What are you doing in here? (Laughter)

JEFF GREENFIELD

And we discovered in doing the show, CEO Exchange, something that wasn’t much of a secret, which is, at the top of this pyramid, it’s still pretty much one color and even pretty much one gender. So from your own perspective, do you think that this is finally cracked to the point where it’s realistic to say that a young African-American going into business can say, yeah, I got a fair chance to be a CEO, same as my colleagues?

ROBERT JOHNSON

It’s obviously cracked, because if it had not, you wouldn’t have Ken Chenault running American Express, Stanley O’Neal running Merrill Lynch and Dick Parsons running Time-Warner. So the CEOs are being selected based on ability, and not based on race. But at the same time, it’s a very narrow sliver of success stories like that, and the pipeline isn’t being replenished. All of those guys came in through

mentors who sort of you know, took them on the way up the ladder and if that's not happening, you're going to lose that opportunity and so I'm a little bit concerned about that in particular for women and for people of color. And I don't – if I look at the top 20 Fortune 500 companies, and I say show me your senior African-American guy or woman, who's in line to be up the CEO ladder, it's very thin.

JEFF GREENFIELD

You find the same thing?

BILL MARRIOTT, JR.

Yes, it's getting better, getting a lot better. 30% of our hires this last year were out of the minority community. A third of our hotel general managers are minorities, and half of our hotel general managers are women, so we are continuing to promote them up the line and get them into the system.

JEFF GREENFIELD

Bob, you began your career in politics, and you made an interesting point, that John Malone, your mentor, was not much for affirmative – he didn't want the government stepping in. Was Malone right, more right than wrong? Or people say, you know what, we still need the government pressure on the private sector to make this work?

ROBERT JOHNSON

No I think the government has a role to play in creating an open playing field and equal opportunity for everyone. I mean overt racism has to be eradicated, legal impediments to opportunity needs to be eliminated and the government can use its legislative power, its buying power to create opportunity, and I think they should do that.

On the flip side that the concern I have is, that if minorities or particularly African-Americans, are not willing to compete aggressively within the system, because they feel the system is stacked against them and they're victims, they tend to give up too soon, and blame the system. When you need to look at your own initiative, and your own desire to achieve and to succeed, and you know, you can't wake up every day and say, I'm going to go out of my house and confront racism, well then I might as well stay in bed and not go out.

JEFF GREENFIELD

You have a famous line about that.

ROBERT JOHNSON

You know, I call it Welcome to the NFL. You know? If you play football and if you walk inside that white line, you know you're going to get hit. So knowing that, you might as well prepare for it, and keep on trying to run down the field and score, instead of saying "gee, you know, this person is going to discriminate, the government is not helping me, I can't get this job, and quit." And I don't think you succeed like that.

BILL MARRIOTT, JR.

I think Bob said it right. I think taking down the barriers if there are, or whatever barriers are left to get them out of the way, make a level playing field is what we're all anxious to see happen. And I think it is happening.

JEFF GREENFIELD

We got time for a final question or two from the audience.

FROM THE AUDIENCE

Kevin [...], Senior VP with Knowledge Bank and you both have spoken a lot about how critically important it was to hire the best people to the success of both businesses. And I'm wondering if you could talk a little bit more specifically about how the diversity initiatives that you've implemented in both organizations, have driven your ability to not just attract and recruit the best people, but to retain the best people throughout all levels of the organization..

BILL MARRIOTT, JR.

We're operating in 70 countries around the world, so we're dealing with many different cultures, not only inside the United States but outside the United States. Our people have embraced our culture of dealing and learning and recognizing the great importance of diversity. We talk about it, we walk the talk, we believe in it and it never leaves our desk. We are really on it all the time.

ROBERT JOHNSON

The way I pose diversity is sort of a little bit different. My, my particular objective is to find the best and brightest African-American talent to give them an opportunity to succeed in this economic system we have, called capitalism. So I'm looking for that person who is maybe a #4 at a company that doesn't appreciate that talent. I can take that person and make them #1 with me and set them on a path. But having said that, we do not at RLJ Companies hire blindly on color. If you look at our hotel fund, we have the 2nd person in command over there, a guy named Ross _____, you can tell by the name he's not African-American. And he is second in command at our Urban Lodging Fund and a terrific hire for us.

JEFF GREENFIELD

Time for one more question.

FROM THE AUDIENCE

Good afternoon Mr. Johnson, Mr. Marriott. My name is Jason [...] and I'm second year MBA student here at the Robert H. Smith School of Business. How do you create environments at your organizations where ideas come from all levels, not just from the top?

ROBERT JOHNSON

I believe in two things. Hiring people who know something I don't know and not being afraid if they know it and then letting them talk to me and share with them their own ideas and viewpoints about the business model. I'm confident enough to know that if I don't like what they're talking about, I'll just tell them, forget it, I'm not going to do it. But because of that, they know that they can come to me with any idea, strategy, or approach to dealing with the business problem, that I'm going to hear them out and I'll give you a prime example. Tom Baltimore, who I talked about earlier, I had gone out and used my own money, about \$100 million dollars and bought hotels with my own money. Tom Baltimore suggested that we should get into the hotel private equity business, going around raising money from state pension funds. To me the idea of going out begging for money just didn't sound exciting. Fortunately I had enough I didn't feel I had to pay but it was something that was a new strategy that Tom believed in, and he said, "Bob, we can do this." Well he believed in it, I supported it and I joined with him and it's been a tremendous success.

JEFF GREENFIELD

Before we close we're going to turn to something we call the lightening round. I'm going to ask you some – a couple of short questions that I'd like you to respond with real short first thing that pops into your mind. Other than your home, the place in the world that you found most agreeable, most wonderful?

BILL MARRIOTT, JR.

We have a summer place on Lake Winnepesaukee in New Hampshire and we've been going up there for 62 years, it's heaven.

ROBERT JOHNSON

I have a beach house down in the Delaware Shore, just a nice place to hang out.

JEFF GREENFIELD

If you have one, what's on your iPOD?

ROBERT JOHNSON

Don't have one.

BILL MARRIOTT, JR.

Glenn Miller. (Laughter)

JEFF GREENFIELD

Possibly that's the first time iPOD and Glenn Miller have ever been put together.

BILL MARRIOTT, JR.

That's probably right.

JEFF GREENFIELD

Your fantasy meal? The greatest meal you've ever had.

ROBERT JOHNSON

Oh a double cheeseburger. (Laughter)

JEFF GREENFIELD

Every CEO, go ahead, I want to hear your answer, cause this is fascinating.

ROBERT JOHNSON

Nice bottle of Merlot with a great grilled renzina.

JEFF GREENFIELD

It's amazing how many CEOs cite cheeseburgers or pepperoni pizzas. Any writer, who means something special to you? Somebody whose writings or books you really treasure.

BILL MARRIOTT, JR.

My father's book, his biography, which I referred to. Started his life, how he started the company and how he started from nothing and how he established the culture of the company and grew the company.

ROBERT JOHNSON

I read once Colleen McCullough's "Julius Caesar", which was just a fascinating story and I always been as a history major.

JEFF GREENFIELD

As a hotel guest, what most irks you? What is likely to set off your meter?

ROBERT JOHNSON

When you call for something and it takes forever to get there.

BILL MARRIOTT, JR.

A midnight party in the hall (laughter) (applause).

JEFF GREENFIELD

That's the perfect answer. Actually, if there is some clever entrepreneur who can create a way to cram two hours of programming into an hour long television show, we could actually use it now. But I don't think anybody has come up with that yet. So it's time to end our revels, and to thank Bill Marriott and Bob Johnson very much for being here, and thanks as well (applause), thanks as well to the Robert H. Smith School of Business here at the University of Maryland, for their graciousness. If this meeting of the minds has helped contribute in any way to the world's marketplace of ideas, that is the business of CEO Exchange. I'm Jeff Greenfield. Thanks so much for watching. We'll see you next time. (Applause)

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