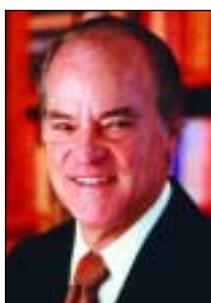


A Voice for the Private Sector

An Interview with Henry R. Kravis, Founding Partner, Kohlberg Kravis Roberts & Co., New York, and Co-Chairman, Partnership for New York City, New York, and Jerry I. Speyer, President and Chief Executive Officer, Tishman Speyer Properties LP, New York, and Co-Chairman, Partnership for New York City, New York

EDITORS' NOTE

Henry Kravis began his career in 1967 as vice president of Katy Industries and then joined Bear Stearns & Co. in 1969, where he eventually became a partner. He left Bear Stearns in 1976 when he co-founded Kohlberg Kravis Roberts & Co.



Henry R. Kravis

He currently serves on the boards of RJR Nabisco, Safeway, Gillette, Borden, and Owens-Illinois, among other companies, and he founded and heads the New York City Investment Fund. He also serves as co-chairman of the Partnership for New York City; serves on the boards of the Metropolitan Museum of Art, Mount Sinai Hospital, and Columbia Business School; and is chairman emeritus of Public Television Channel 13. Kravis holds a B.A. in economics from California's Claremont McKenna College and an M.B.A. from Columbia Business School.



Jerry I. Speyer

EDITORS' NOTE

Prior to the 1978 founding of Tishman Speyer Properties, Jerry Speyer was senior vice president and director of Tishman Realty & Construction Co., Inc. An active advocate for the city of New York, Speyer is also vice chairman of the Museum of Modern

Art, chairman emeritus of Columbia University, chairman emeritus of the Real Estate Board of New York, a member of the Council on Foreign Relations and the Economic Club of New York, and a past president of the board of trustees of the Dalton School. His other board affiliations include the Federal Reserve Bank of New York, YankeeNets, the Rand Corporation, New York Presbyterian Hospital, Carnegie Hall, the Real Estate Roundtable, and the Urban Land Institute. Speyer holds a B.A. in German literature from Columbia University and an M.B.A. from Columbia Business School.

proud of New York and its vast array of resources, but if we don't care for them well – if we don't, as corporate leaders, band together for the betterment of the city – the city will suffer. This outlook was really what prompted the formation of the New York City Investment Fund within the structure of the Partnership for New York City. The Fund, which invests in both nonprofit and for-profit entrepreneurial enterprises based in New York City, endeavors to build a stronger and more diversified local economy, and consequently, it is reliant on the combined cooperation of the leadership entities of the city. The private sector has a wonderful set of resources and a lot of good ideas, but the public sector needs to know what these are and that they're available. At the end of the day, our efforts with the Partnership are just as important as the work we do for our own businesses; ultimately, they are means to the same end. Remember, if your home is not an attractive place to live, if the environment is not conducive to work, it becomes very hard to attract the kind of talent you want. In other words, by working to improve our city – the place where we work – we're also working to attract the best people to work for our businesses.

Speyer: I absolutely agree. Before Henry and I took this assignment on, we visited several of the city's major leaders. We asked them if they would help us act as agents for change in order to make the Partnership and the Fund more effective. We said we wanted to give business leaders a voice in their own government, and we convinced 25 out of the 26 people we met to sign on. The one that didn't sign on, retired. This was a great result.

Kravis: I would also add that New York is probably the hardest place to undertake this kind of project because the city is so big. It's difficult to make the work interesting enough and to give the participants from the Partnership an important enough role – one that will make them feel that they're really making

COMPANY BRIEFS An investment firm that makes long-term equity investments, Kohlberg Kravis Roberts & Co. (KKR) was founded in 1976 by Jerome Kohlberg, Henry R. Kravis, and George R. Roberts. Since then, the firm has invested more than \$114 billion in some 110 companies, with its current investments including stakes in the publishing company Primedia, the insurance broker Willis Group, and the largest drug-store chain in Canada, Shoppers Drug Mart. With offices in New York, London, and Menlo Park, California, KKR manages its investments through a variety of strategic ownership positions.

A leading developer, renovator, and owner of commercial real estate, Tishman Speyer Properties LP was formed in 1978 by Robert Tishman and

Jerry Speyer. The company owns a real estate portfolio of more than 50 million square feet, including two of New York's most renowned landmarks, the Chrysler Building and Rockefeller Center. With offices in the United States, Europe, and South America, Tishman Speyer Properties also maintains a variety of smaller interests in retail, entertainment, and residential ventures.

As corporate leaders, you are both very involved in the community. Why is corporate citizenship important to you, and how is your approach to it affected by doing business in New York?

Kravis: My view is very simple: This is our home and we have to take care of our own backyard first. We're all extremely

an impact. If participants feel that their contribution matters, then they will stay involved. But if they don't feel that way, they'll simply fall away. Jerry and I are trying to make sure that the former and not the latter happens – that we do indeed provide a voice for the private sector.

So what is the current state of the relationship between the two sectors? Can you track such a thing?

Speyer: The relationship between the public and private sectors is currently in a state of evolution, partly because of the dramatic change in leadership we experienced at the city level when Mike Bloomberg became mayor. Things have also changed in the state government, especially between the executive and the legislative branches.

As for how to gauge the relationship, I frequently travel around the country on behalf of our company, and I'm always struck by how much cities are affected through the involvement of their business leaders. For example, Houston's business community is very strong; the people who run the major enterprises in that city are very engaged with the city of Houston and it shows. Conversely, when the business leadership in a city isn't engaged, that city suffers. If you look at the top 15 cities in the United States today, you'll see that each one reflects a very strong partnership between the public and private sectors. The businesses involved are looking forward; they are focused on something beyond the current moment. Likewise, the Partnership for New York City concentrates on what is good for the city's future, rather than on some private interests which are motivated by self interests.

Kravis: I'd add to that the fact that the relationship is made stronger in New York by the amount of resources the private sector can make available to the public sector. Indeed, the resource base we're working with is invaluable. Whether it's in the realm of budget issues, productivity improvements, or supply-chain management, we are able to supply the public sector with resources it wouldn't otherwise have. Of course, no one group has all the answers, but I've always found that the best formula for success in any situation is to facilitate strong dialogue between the parties involved, and that is what we're working for in this case.

You have both held leadership positions for extended periods of time. What issues do companies and their CEOs face today that they may not have faced before?

Speyer: Companies today are suffering from the need to look inward instead of outward, largely because of the new legislation aimed at battling corruption. While the corrupt obviously need to be brought to justice, I do think that we have to be very careful not to paralyze companies. All this inward inspection means that companies are not looking

outward and toward expansion to the degree that they should, and I think this has probably affected the economy negatively as well.

Kravis: First, I would say that it is much more difficult to lead companies today than it was before, because today's companies are much more complicated. They are larger than they've ever been and they're often global. So with regard to corporate citizenship, for example, companies now need to be responsible citizens not just in their hometowns, but also in cities all over the world, and that's no small job.



Second, the institutional personalities of today's firms, because of their size and complexity, are far stronger and more noticeable than the personalities of their CEOs. This having been said, however, the basic tasks of a corporate leader are still essentially the same as they have always been. As a leader, you must have a vision and you must articulate that vision. You must say it over and over again, and you must be prepared to make changes and stay current and relevant. In my view, if you're not prepared to do those things, you don't really qualify to be a leader.

What do you think your respective senior executives would say about your individual styles of leadership?

Speyer: I think the concept of letting go is very important, so my colleagues would probably mention this quality in describing what it's like to work with me. To put it more simply, I've always believed that the best CEOs tend to be great delegators: They have people around them who are smarter than they are, and to

whom they are able to delegate responsibility. I think that recruiting talented people is vital, and I have been able to do this in my company.

Another rule I try to follow is to make sure that my people feel comfortable talking to me – comfortable enough that they can give me bad news without trying to make it better than it is. Being absolutely clear with news, good or bad, is something I really value, and I think people around me know this. It's certainly an important element in getting ahead in our company.

Kravis: We have a very flat organization and that automatically gives people an enormous amount of responsibility. It's flat by design, and I think everyone here is aware that the company works this way. We've been very fortunate: In the 27 years of KKR, we've lost only nine professionals, and of those nine, I think four or five of them retired. I believe this loyalty is a product of the way the company is run. We pride ourselves on a lack of politics and a strong team aesthetic within the firm. Nobody raises a hand and says, "That's my idea," or "That's my deal." Instead, they say, "This is our idea," or "This is our deal." That's how we work.



In addition, people have a great deal of responsibility, but they are also held accountable. We encourage people to think outside the box. We want them to come up with new concepts, and we want them to go places they haven't been before. This encourages people to constantly think and act differently, and not to be afraid of change. This attitude is key because if you are unwilling to change, you're going to die. It's as simple as that. So our view has always been that you must adapt to changing circumstances, and you must be creative in order to make those changes work to your advantage. ●

The Chrysler Building (above, left) and Rockefeller Center