



Robert L. Johnson

EDITORS' NOTE Robert Johnson is Founder and Chairman of The RLJ Companies. In July 2007, Johnson was named by *USA Today* as one of the 25 most influential business leaders of the past 25 years. Prior to forming The RLJ Companies, Johnson was Founder and Chairman of Black Entertainment Television (BET). In 2001, Johnson sold BET to Viacom for approximately \$3 billion and remained the Chief Executive Officer through 2006. Currently, he serves on the following boards: KB Home; Lowe's Companies, Inc.; Strayer Education; NBA Board of Governors; Deutsche Bank Advisory Committee; The Business Council; and Smithsonian's National Museum of African-American History and Culture.

COMPANY BRIEF The RLJ Companies (www.rljcompanies.com) is an innovative business network that provides strategic investments in a diverse portfolio of companies in hotel real estate investment, private equity, financial services, asset management, insurance services, automobile dealerships, sports and entertainment, and video lottery terminal (VLT) gaming.

Where are we today globally in regard to economic recovery and how can we impact the unemployment problem?

My primary concern is about the economic future and well-being of African-Americans. The businesses I'm involved in have the goal of empowering African-Americans who have the capability to create value and wealth and who, therefore, should fully participate in the American Dream.

I'm particularly concerned about a dramatic increase in the wealth gap between African-Americans and white Americans. White Americans today have anywhere from 12 to 15 times the net worth of African-Americans.

African-American Empowerment

An Interview with Robert L. Johnson,
Founder and Chairman, The RLJ Companies

A Pew research study shows that somewhere between 40 to 50 percent of African-Americans whose parents were solidly middle class in the 60s will never attain the wealth of their parents.

This is due to economic competition and dislocation in the global marketplace and structural changes in the U.S. economy, which means that opportunities that were once afforded to African-Americans to move into the middle class will be tougher if not impossible to find in the future. Almost 50 percent of African-Americans live in families with a single female head-of-household. Furthermore, health disparities among African-Americans are significantly worse than that of white Americans.

To change this reality, we have to increase access to education but also access to capital. We fall way behind in access to income and capital. While white America has a 9 percent unemployment rate, the rate for African-Americans is close to double that. Those in society who are generating wealth are beginning to look askance at supporting those who they deem to be nonproductive. So you have one group opposing transfer payments in the form of entitlements and another group arguing that we have to protect entitlements.

Adding to this growing political conflict is the fact that the minority population receiving the transfer payments also happen to be the fastest growing demographic group in the country. As a result, the population that is paying feels they are being financially squeezed because they believe they are transferring money to a nonproductive class. This is a prescription for the kind of political fighting that is taking place in the U.S. today. Republicans are saying "no new taxes" and Democrats saying "we must protect entitlements". We are politically in a zero-sum game and many African-Americans are in the middle of that fight with no ability to control their own destiny.

How do you change that paradigm? First you must recognize that the 18 percent unemployment rate for African-Americans is not because they don't believe in hard work or in building wealth for their families. There is a racial component to the employment and wealth gap between African-Americans and white Americans that has to be addressed. Unfortunately, this country is uncomfortable with addressing that racial component but until we have a real dialogue about it, that gap is going to grow wider.

Would you explain your RLJ Rule and its impact?

There are two parts to the RLJ Rule: first, if there is a vacancy at the vice president level or above a company would voluntarily agree to interview at least two minority candidates before filling that position.

The second part is that a company would voluntarily agree to interview at least two qualified minority-owned companies before signing a new contract for vendor services or supplies.

The justification for the RLJ Rule is that most African-Americans no matter how qualified or talented, are often left out in the deal flow of opportunity. As a result, we are not engaged at the level where the decisions to hire or to contract with are being made.

The history of this country is replete with the positive things that can happen when you give minorities an opportunity. Unfortunately, it is also replete with the hard facts that if minorities are denied an equal opportunity a gap in their socio- and economic well-being will emerge, and that is exactly what is happening in the U.S. today.

That is why the RLJ Rule is necessary. The RLJ rule creates a voluntary, enhanced best practices policy for companies to adopt. There is no mandatory quota, not even a commitment to hire, but it calls for a commitment to give minorities a chance to be interviewed and it is a chance they deserve.

With all the focus on education, why can't the system be improved and is the dialogue taking place to address true reform?

Education is such a big problem; it is part local, part federal, part community, part family, and part teacher; it's too big to get your hands around in a short period of time.

The last great advance we made in education was the creation of universal education.

We need to have a radically different approach to what education is today. While it is great to have African-American kids read all the classics, that may not prepare them for the jobs Caterpillar or Northrop Grumman are looking to fill.

Our public school system is primarily focused on moving students towards college. It's great to have a college degree, but sometimes that's not what the market is looking for.

If we want to create high-paying and high-skilled jobs, why not take some of the money being spent on education and create

some of the greatest technical-skills schools in the world? Why not convene a meeting of all of the top manufacturing companies in the U.S. and find out what skill sets they need and create schools to match those needs. Therefore, when students complete their K-12 education, they have the option of going to a college or an apprentice training program in a particular discipline and graduating with a technical degree that fits today's job market.

How were you able to separate yourself from the structural challenges and to thrive?

Personal self-confidence is the most important reason. But John Malone, who was the CEO of the third-largest cable company at one time, believed in me as an entrepreneur and invested \$500,000 to help start Black Entertainment Television.

It was also important to be in the right place at the right time. When I started BET, technology was able to tie cable distribution with satellite distribution. That technological revolution changed the way programming could be distributed across the country. It made it possible to amass a viewership comprised of a large niche population on cable systems and, therefore, BET was able to aggregate African-Americans across the country interested in black entertainment programming.

With the first African-American President, there is talk about how much progress we have made, when it seems just the opposite is going on. Is that frustrating?

Yes, because the economic facts don't correlate with the emotional facts. Emotionally, people feel great about his presidency, but when you look deeper, you see some disturbing economic facts of life for minorities and nobody seems to know what to do about it.

I'm a believer that this country must come to grips with why, after passing every kind of civil rights law and having an African-American President, we still have a growing disparity in wealth, access to capital and,

therefore, access to economic opportunity for African-Americans.

The RLJ Companies is your second act. Do you find great people to run the different areas while you oversee it?

I'm what I call a serial visionary entrepreneur. I get a vision about something that should be done, usually in an area where African-Americans are underrepresented.

The RLJ Companies is, at its core, a holding company where I run my capital alongside other people's capital to create companies that we control. By leveraging the brand across all of the companies, we have greater impact.

I look for business opportunities that benefit minorities and where we can be first. I then determine whether or not the companies we are starting will benefit from having a strategic partner. For example, if you were to look at all the RLJ companies, there is not one that is 100 percent owned by RLJ. I believe that strategic partnerships, along with the best and brightest talent, create a formula for the success of the RLJ brand.

We are also finding certain minority-owned companies coming to us for the leverage that our brand provides. As a result, the RLJ brand continues to get more visibility and that allows us to be the go-to company for majority companies looking to do business with a minority company.

Do you utilize a standard approach or ideology in approaching the social issues you address?

My ideology is based on my belief that there can be business solutions to social problems. I am not a big proponent of government putting their hands on the economic scale when businesses can do it better. For example, a company that we will launch in early 2012 called OppsPlace is an Internet-based job site designed to aggregate minorities looking for jobs in the public/private sector and minority small businesses seeking to do business with large U.S. corporations. We believe that OppsPlace can create economic opportunity for minority Americans and contribute to diversity and inclusion within corporate America.

We are also launching a business to meet the needs in the African-American community for short term and emergency borrowing. On any given occasion, millions of African-Americans need \$500 or \$1,000 for unforeseen emergencies for which they have no savings. Today, they are forced to go to lenders who charge 350 to 400 APR for that type of loan – so basically minorities who can least afford it are paying the highest cost to borrow money.

That industry is about a \$4-billion industry and most of that money is going out of the minority community into the hands of those who are only putting a storefront in an African-American neighborhood. If the business I am starting can reduce that cost of borrowing significantly, provide financial literacy, and a focus on savings, we are in effect improving the financial well-being of millions of African-Americans.

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Without drastic measures, is there hope for true impact?

Unfortunately, I don't think so. For example, consider the fact that the reason African-Americans confront an 18 percent unemployment rate is because of the lack of jobs and equal opportunity. Consider the fact that the increasing cost of health care is depriving many African-Americans of basic health care and contributing to a poorer quality of life. Consider the fact that the changes in lending requirements and the higher cost of a down payment are threatening the American Dream of homeownership for millions of African-American families. For example, the median income of an African-American family is \$32,500; the median cost of a house is \$173,333. If they have to put 20 percent down, it will take that family almost 18 years to save up for that down payment based on saving 5 percent of their annual income.

Something has to be done to recalibrate our economic system to address these problems. We need the political courage to propose race-based remedies based on the disparity caused by past and present race discrimination. There is a compelling national interest in addressing racial disparity. In the next 25 to 30 years, the majority of Americans will be black and Hispanic. If we are to be a successful nation and compete globally, we must ensure that all Americans are given an opportunity to fully participate in the U.S. economic system.

What are you most focused on to ensure future success?

To make OppsPlace a successful business that minority professionals and minority companies will utilize to introduce themselves to corporate America and that corporate America will use OppsPlace to maximize diversity and inclusion.

If we can demonstrate the fact that talented African-Americans, if given the opportunity, can succeed at the highest levels, we can then ensure future success for many minority Americans and make this country better. ●

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